One Energy Place
Pensacola, Florida 32520

Tel 850 444 6000

ORIGINAL

March 31, 1998

GULF POWER
A SOUTHERN COMPANY

Ms. Blanca Bayo, Director
Division of Records and Reporting
Florida Public Service Commission
2540 Shumard Oak Boulevard, Room 110
Tallahassee, Florida 32399-0870

Dear Ms. Bayo:

Re: Docket No. 960127-EI, Order Number PSC-96-0414-FOF-EI &
Docket No. 970103-EI, Order Number PSC-97-0296-FOF-EI
Application of Gulf Power Company for authority to
receive common equity contributions and to issue and
sell securities

An original and three copies of the Consummation Report dated March 31, 1998, and four copies of the exhibits are enclosed with this letter for filing in the above referenced dockets.

Sincerely,

Linda G. Malone

Linda G. Malone
Assistant Secretary and
Assistant Treasurer

ACK ___
AFA ___
APP ___
CAF ___ ck
CMU ___
CTR ___
EAG ___ cc:
LEG ___
LIN ___
OPC ___
RCH ___
SEC ___
WAS ___
OTH ___

Enclosures

E. W. Boston, Southern Company Services
S. D. Cranmer, Gulf Power Company
J. A. Stone, Beggs & Lane

DOCUMENT NUMBER-DATE
03766 APR-1 98
FPSC-RECORDS/REPORTING

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

IN RE: Application of Gulf Power Company for authority to receive common equity contributions and to issue and sell securities.	) Docket No.: 960127-EI) Docket No.: 970103-EI) Filed: March 31, 1998

TO THE HONORABLE FLORIDA PUBLIC SERVICE COMMISSION:

CONSUMMATION REPORT

GULF POWER COMPANY ("Gulf Power", "Gulf", or "the Company"), by and through its undersigned representative, and pursuant to Rule 25-8.009, Florida Administrative Code, and the reporting requirements of Order No. PSC-96-0414-FOF-EI entered in Docket No. 960127-EI on March 25, 1996 and Order No. PSC-97-0296-FOF-EI entered in Docket No. 970103-EI on March 17, 1997, hereby reports for the fiscal year ending December 31, 1997:

A. 1. On December 26, 1996, Gulf Power Capital Trust I, a statutory business trust created under the laws of the State of Delaware (the "Trust"), was established as a wholly owned subsidiary of Gulf Power Company for the Company to participate in tax-advantaged preferred equity financing. The Trust will issue preferred securities and common securities and invest the proceeds in an equivalent amount of junior subordinated deferrable interest notes. After negotiated arrangements, on January 27, 1997, the Company and the Trust entered into an Underwriting Agreement with Goldman, Sachs & Co. (the "Underwriter"), as Representative of several underwriters, for the purchase of 1,600,000 7.625% Cumulative Quarterly Income

Preferred Securities (QUIPS) in the aggregate principal amount of $40,000,000, representing 97% of the assets of the Trust. Gulf Power Company owns all the Common Securities in the amount of $1,237,125, representing the remaining 3% of the assets of the Trust. The Depository Trust Company ("DTC") will act as the securities depositary for the QUIPS. The QUIPS will be issued only as a fully registered security in the name of Cede & Co., DTC's nominee. On January 31, 1997, the Company delivered such securities to Goldman, Sachs & Co., as Representative, and $1,191,000 from the Company as compensation to the Under-writers for their services. The Chase Manhattan Bank, as property trustee for the Trust, received from the Representative $40,000,000 constituting the purchase price of the securities at $25 per security and from the Company, the amount of $1,237,125 representing payment for the Gulf Power Capital Trust I Common Securities. The proceeds from the Preferred Securities and Common Securities were then invested in an equivalent amount of the Company's Junior Subordinated Deferrable Interest Notes. On January 31, 1997, The Chase Manhattan Bank, as property trustee for the Trust, received $41,237,125 aggregate principal amount of the Company's Series A 7.625% Junior Subordinated Notes due December 31, 2036, and a Guarantee Agreement, dated as of January 1, 1997, between the Company and The Chase Manhattan Bank, as Guarantee Trustee. The Company received funds from the Notes in the aggregate principal amount of $41,237,125.

2. A portion of the proceeds from the sale of the new securities was applied by the Company to the redemption in March, 1997, of $5,000,000 principal amount of 7.88% Preferred Stock, $5,000,000 principal amount of 7.52% Preferred Stock, $14,500,000 principal amount of 7.00% Preferred Stock and redemption in August, 1997, of $15,000,000 principal amount of 7.30% Preferred Stock.

3. Cumulative Cash Distributions on the securities will be payable at the Securities Rate (7.625% per annum), accruing from the date of original issuance and payable quarterly in arrears on March 31, June 30, September 30 and December 31 of each year, commencing on March 31, 1997. The Securities Rate and the Distribution Dates for the Preferred Securities will correspond to the interest rate and payment dates on the Series A Junior Subordinated Notes. The payment of distributions on the Preferred Securities is guaranteed by the Company to the extent the Trust has funds available from payments on the Notes.

4. The Series A Junior Subordinated Notes are unsecured obligations of the Company and subordinate and junior in right of payment to senior indebtedness of the Company.

B. 1. After negotiated arrangements, on July 28, 1997, Gulf Power Company (the"Company") entered into an Underwriting Agreement with The Robinson-Humphrey Company, Inc., (the "Underwriter"), as representative of several underwriters, for the purchase of an aggregate of $20,000,000 (denominations and multiples of $25 each) principal amount of Gulf Power Company Series B 7.50% Junior Subordinated Notes (the "Notes") due

June 30, 2037. The Depository Trust Company ("DTC") will act as the securities depositary for the notes. The notes will be issued only as a fully registered note in the name of Cede & Co., DTC's nominee. On August 1, 1997, the Company delivered such note to The Robinson-Humphrey Company, Inc. On August 1, 1997, the Company received $19,370,000 representing payment in full of the purchase price less $630,000,000 underwriting discount of the underwriters for their services.

2. The proceeds from the sale of the new notes were used to pay a portion of the scheduled maturity of $25,000,000 aggregate principal amount of 5-7/8% First Mortgage Bonds, series due August 1, 1997.

3. Interest on the new notes will be payable at the rate of 7.50% per annum and payable quarterly in arrears on March 31, June 30, September 30, and December 31 of each year, commencing September 30, 1997

4. The notes will be unsecured obligations and will be subordinate and junior in right of payment to senior indebtedness of the Company.

C. 1. After negotiated arrangements authorized by Gulf Power Company (the "Company") SunTrust Bank, Atlanta, was appointed as the Placement Agent and Remarketing Agent for the purchase of $40,930,000 aggregate principal amount of Gulf Power Company Pollution Control Revenue Refunding Bonds (the "Bonds") as follows: $37,000,000 Escambia County, Florida, Pollution Control Revenue Refunding Bonds, Series 1997, due July 1, 2022 and

$3,030,000 Jackson County, Florida, Pollution Control Revenue Refunding Bonds, Series 1997, due July 1, 2022. The bonds will bear interest at a Daily Rate, a Weekly Rate, a Commercial Paper Rate, or a Long-Term Interest Rate provided, however, that in no event shall the rate of interest on the bonds exceed 15% per annum. Interest will initially be payable at the Daily Rate on the fifth business day of each month commencing August 7, 1997 until converted at the direction of the company to a different interest rate mode permitted under the Trust Indenture. Except as otherwise provided in the Trust Indenture pursuant to which the bonds are to be secured, each interest rate for each mode will be determined by the Remarketing Agent as the minimum rate necessary for the agent to sell the bonds at their principal amount (without regard to accrued interest). A single fully registered bond dated July 1, 1997 was issued for each respective county to Cede & Co. as registered owner and nominee of the Depository Trust Company ("DTC"). The DTC will act as securities depository for the bonds as long as Cede & Co. is the registered owner. Purchases will be made in book-entry form through DTC participants and no physical delivery of bonds will be made to purchasers.

2. On July 1, 1997, SunTrust Bank, Atlanta, as Placement Agent received from Escambia, County, Florida, such bond in the aggregate principal amount of $37,000,000 and received from Jackson, County, Florida, such bond in the aggregate principal amount of $3,930,000. SunTrust Bank, Atlanta, deposited at First Union National Bank, as Trustee, funds in the aggregate amount of $37,000,000 for the account of Escambia County, Florida representing the purchase price of the Escambia bonds; and

deposited funds in the aggregate amount of $3,930,000 for the account of Jackson County, Florida representing the purchase price of the Jackson County bonds. On July 1, 1997, the Company paid SunTrust Bank, Atlanta, the sum of $81,860 representing $74,000 as a placement fee for the Escambia County bonds and $7,880 as a placement fee for the Jackson County bonds.

3. The proceeds of the bonds were held in segregated trust accounts by the Trustee and, together with the investment earnings, transferred on August 1, 1997 for redemption of $32,000,000 aggregate principal amount of Escambia County, Florida 8.25% Pollution Control Revenue Refunding Bonds (Gulf Power Project), Series 1987; $5,000,000 aggregate principal amount of Escambia County, Florida 8.75% Pollution Control Revenue Refunding Bonds (Gulf Power Project), Series 1992; and $3,930,000 aggregate principal amount of Jackson County, Florida 6.75% Pollution Control Revenue Refunding Bonds (Gulf Power Project), Series 1992.

4. The Series 1997 Bonds were issued to provide funds to refinance the acquisition, construction, installation and equipping of the interest of the Company in certain air and water pollution control and sewage and solid waste disposal facilities located at Plant Crist in Escambia County, Plant Lansing Smith in Bay County in the case of the Escambia County bonds, and at Plant Scholz in Jackson County in the case of the Jackson County Bonds.

5. The bonds are secured, under the provisions of the Subordinate Land Deed of Trust for each respective county dated as of July 1, 1997, with Gulf's one-half interest in the Jackson County Steam Plant site (Plant Victor J. Daniel) located in Jackson County,

Mississippi. The Deeds of Trust are subordinate to the Mortgage Indenture dated as of September 1, 1941, between the Company and the Chase Manhattan Bank (National Association) and the Citizens and Peoples National Bank of Pensacola, as Trustees, as supplemented by various Supplemental Indentures. The Deeds of Trust, and rights of the Secured Parties hereunder, are also subordinate to the rights of the Trustee named in the Trust Indenture and the parties secured thereby with respect to any future indebtedness issued by the Debtor and secured by the Trust Indenture as it is now constituted and as it may be subsequently supplemented and/or amended.

Pursuant to Rule 25-8.009, F.A.C., Gulf Power Company submits the following documents relative to the issuance of the above referenced Trust Preferred Securities and Pollution Control Bonds:

A. **Exhibits for $40,000,000 7.625% Series A Trust Preferred Securities:**

1. Trust Agreement by and between Gulf Power Company, as Depositor, and The Chase Manhattan Bank Delaware, as Trustee, dated as of December 26, 1996.
2. Amended and Restated Trust Agreement among Gulf Power Company, as Depositor, and The Chase Manhattan Bank, as Property Trustee, Chase Manhattan Bank Delaware, as Delaware Trustee, and Linda Malone and Wayne Boston as Administrative Trustees, dated as of January 1, 1997.
3. Guarantee Agreement dated as of January 1, 1997, between Gulf Power Company (as Guarantor) and The Chase Manhattan Bank (as Trustee).

4. Subordinated Note Indenture dated as of January 1, 1997, between Gulf Power Company and The Chase Manhattan Bank, Trustee.
5. First Supplemental Indenture to the Subordinated Note Indenture dated as of January 1, 1997, between Gulf Power Company and The Chase Manhattan Bank, Trustee.
6. Underwriting Agreement dated January 27, 1997, among Gulf Power Company, the Trust, and Goldman, Sachs & Co. for itself and as Representative of the other underwriters.
7. Prospectus Supplement dated January 27, 1997, and Prospectus dated January 10, 1997.
8. Opinion dated January 31, 1997, of Beggs & Lane, general counsel for the Company.
9. Opinion dated January 31, 1997, of Troutman Sanders LLP, counsel for the Company.
10. Opinion dated January 31, 1997 of Richards, Layton & Finger, Delaware counsel to the Trust.
11. Form S-3 Registration Statement Nos. 333-19271, 333-19271-01, and 333-19271-02 as filed with the Securities Exchange Commission on September 3, 1993 under the Securities Act of 1933.
12. Statement on Form U-1 dated August 24, 1994, and amended on November 16, December 14, December 15, 1994; October 15, October 25, 1995; January 16, January 22, June 18, August 23, 1996; January 10, January 27, January 31, May 2, May 13, June 10, 1997; and January 14, 1998; and Certificates of Notification dated February 10, and August 11, 1997, relating to among other things, the 7.625% Trust Preferred Securities, Series A and Series B Junior Subordinated Notes, and Finance Statements made a part thereof filed with Securities and Exchange

Commission File No. 70-8461 under the Public Utility Holding Company Act of 1935.

13. Description of Underwriters.
14. Report of Expenses.

B. Exhibits for $20,000,000 7.50% Series B Junior Subordinated Notes:

1. Underwriting Agreement dated July 28, 1997, between Gulf Power Company and The Robinson-Humphrey Company, Inc., for itself and as Representative of the other underwriters.
2. Second Supplemental Indenture, dated August 1, 1997, to the Subordinated Note Indenture dated January 1, 1997, between Gulf Power Company and The Chase Manhattan Bank, Trustee.
3. Prospectus supplement dated July 28, 1997 and prospectus dated January 10, 1997.
4. Opinion dated August 1, 1997 of Beggs & Lane, general counsel for the Company.
5. Opinion dated August 1, 1997 of Troutman Sanders LLP, counsel for the Company.
6. Form S-3 Registration Statement Nos. 333-19271, 333-19271-01, and 333-19271-02 as filed with the Securities Exchange Commission on September 3, 1993 under the Securities Act of 1933.
7. Statement on Form U-1 dated August 24, 1994, and amended on November 16, December 14, December 15, 1994; October 15, October 25, 1995; January 16, January 22, June 18, August 23, 1996; January 10, January 27, January 31, May 2, May 13, June 10, 1997; and January 14, 1998; and Certificates of Notification dated February 10, and August 11, 1997, relating to among other things, the 7.625% Trust Preferred Securities, Series

A and Series B Junior Subordinated Notes, and Finance Statements made a part thereof filed with Securities and Exchange Commission File No. 70-8461 under the Public Utility Holding Company Act of 1935.

8. Description of Underwriters.
9. Report of Expenses.

C. **Exhibits for $40,930,000 Variable Rate Pollution Control Bonds:**

1. Trust Indenture dated as of July 1, 1997, between Escambia County, Florida and First Union Bank, as Trustee.
2. Trust Indenture dated as of July 1, 1997, between Jackson County, Florida and First Union Bank, as Trustee.
3. Loan Agreement dated as of July 1, 1997, between Escambia County, Florida and Gulf Power Company.
4. Loan Agreement dated as of July 1, 1997, between Jackson County, Florida and Gulf Power Company.
5. Promissory Note dated as of July 1, 1997, from Gulf Power Company to Escambia County, Florida, assigned to the Trustee.
6. Promissory Note dated as of July 1, 1997, from Gulf Power Company to Jackson County, Florida, assigned to the Trustee.
7. Subordinate Land Deed of Trust dated as of July 1, 1997, from Gulf Power Company to Escambia County, Florida.
8. Subordinate Land Deed of Trust dated as of July 1, 1997, from Gulf Power Company to Jackson County, Florida.
9. Placement Agreement dated June 30, 1997, between SunTrust Bank, Atlanta and Board of County Commissioners, Escambia County, Florida.
10. Placement Agreement dated June 30, 1997, between SunTrust Bank, Atlanta and Board of County Commissioners, Jackson County, Florida.

11. Remarketing Agreement dated July 1, 1997, between Gulf Power Company and SunTrust Bank, Atlanta, with respect to Escambia County Bonds.
12. Remarketing Agreement dated July 1, 1997, between Gulf Power Company and Sun Trust Bank, Atlanta, with respect to Jackson County Bonds.
13. Letter of Representation dated June 30, 1997, from Gulf Power Company to Board of County Commissioners, Escambia County, Florida, and SunTrust Bank.
14. Letter of Representation dated June 30, 1997, from Gulf Power Company to Board of County Commissioners, Jackson County, Florida, and SunTrust Bank.
15. Limited Offering Memorandum dated June 30, 1997.
16. Opinion dated July 1, 1997, of Beggs & Lane, general counsel to the Company.
17. Opinion dated July 1, 1997, of Troutman Sanders LLP, counsel to the Company.
18. Opinion dated July 1, 1997, of Miller, Canfield, Paddock & Stone, P.L.C., counsel to Escambia County, Florida.
19. Opinion dated July 1, 1997, of Baker & Swearingen, counsel to Jackson County, Florida.
20. Opinion dated July 1, 1997, of Balch & Bingham LLP, bond counsel.
21. Opinion dated July 1, 1997, of Dewey Ballantine, counsel to the Placement Agent.
22. Statement on Form U-1 dated November 1, 1996, and amended on April 30, June 25, June 27, 1997; and Certificate of Notification dated July 14, 1997, relating to among other things, the Series 1997 Pollution Control Bonds and Finance Statements made a part thereof filed with

Securities and Exchange Commission File No. 70-8949 under the Public Utility Holding Company Act of 1935.

23. Report of Expenses.

Exhibits Common For All Issues:

D. 10-K for the year ended December 31, 1996, filed with the Securities and Exchange Commission, File No. 0-2429, and 10-Q for the quarter ended September 30, 1997, filed with the Securities and Exchange Commission File No. 0-2429. On page 41 of the 10-Q is shown the Pro Forma Capitalization and Pretax Interest Coverage Statements. One page 38 of the 10-Q is shown the debt interest and preferred stock dividend requirements.

Respectfully submitted,

Linda G. Malone

Linda G. Malone
Assistant Secretary and
Assistant Treasurer

Dated March 31, 1998

TRUST AGREEMENT

THIS TRUST AGREEMENT is made as of December 26, 1996, by and between Gulf Power Company, a Maine corporation, as Depositor (the "Depositor"), and Chase Manhattan Bank Delaware, duly organized and existing in the State of Delaware, as Trustee (the "Trustee") The Depositor and the Trustee hereby agree as follows:

1. The trust created hereby shall be known as "Gulf Power Capital Trust I", in which name the Trustee, or the Depositor to the extent provided herein, may conduct the business of the Trust, make and execute contracts, and sue and be sued.

2. The Depositor hereby assigns, transfers, conveys and sets over to the Trustee the sum of $10. The Trustee hereby acknowledges receipt of such amount in trust from the Depositor, which amount shall constitute the initial trust estate. The Trustee hereby declares that it will hold the trust estate in trust for the Depositor. It is the intention of the parties hereto that the Trust created hereby constitute a business trust under Chapter 38 of Title 12 of the Delaware Code, 12 Del. C. § 3801, et seq. (the "Business Trust Act"), and that this document constitute the governing instrument of the Trust. The Trustee is hereby authorized and directed to execute and file a certificate of trust with the Delaware Secretary of State substantially in the form attached hereto or in such other form as the Trustee may approve.

3. The Depositor and the Trustee will enter into an amended and restated Trust Agreement satisfactory to each such party and substantially in the form included as an exhibit to the Registration Statement on Form S-3 (the "1933 Act Registration Statement") referred to below, or in such other form as the Trustee and the Depositor may approve, to provide for the contemplated operation of the Trust created hereby and the issuance of the Preferred Securities and Common Securities referred to therein Prior to the execution and delivery of such amended and restated Trust Agreement, the Trustee shall not have any duty or obligation hereunder or with respect of the trust estate, except as otherwise required by applicable law or as may be necessary to obtain prior to such execution and delivery any licenses, consents or approvals required by applicable law or otherwise. However, notwithstanding the foregoing, the Trustee may take all actions deemed proper as are necessary to effect the transactions contemplated herein.

4. The Depositor and the Trustee hereby authorize and direct the Depositor, as the sponsor of the Trust, (i) to file with the Securities and Exchange Commission (the "Commission") and execute, in the case of the 1933 Act Registration Statement and 1934 Act Registration Statement (as herein defined), on behalf of the Trust, (a) the 1933 Act Registration Statement including pre-effective or post-effective amendments to such Registration Statement, relating to the registration under the Securities Act of 1933, as amended (the "1933 Act"), of the Preferred Securities of the Trust, (b) any preliminary prospectus or prospectus or supplement thereto relating to the Preferred Securities required to be filed pursuant to Rule 424 under the 1933 Act, and (c) a Registration Statement on Form 8-A or other appropriate form (the "1934 Act Registration Statement") (including all pre-effective and post-effective amendments thereto) relating to the registration of the Preferred Securities of the Trust under Section 12(b) of the Securities Exchange Act of 1934, as amended; (ii) to file with

the New York Stock Exchange and execute on behalf of the Trust a listing application and all other applications, statements, certificates, agreements and other instruments as shall be necessary or desirable to cause the Preferred Securities to be listed on the New York Stock Exchange; (iii) to file and execute on behalf of the Trust such applications, reports, surety bonds, irrevocable consents, appointments of attorney for service of process and other papers and documents as shall be necessary or desirable to register the Preferred Securities under the securities or "Blue Sky" laws of such jurisdictions as the Depositor, on behalf of the Trust, may deem necessary or desirable; and (iv) to execute, deliver and perform on behalf of the Trust an underwriting agreement with the Depositor and the underwriter or underwriters of the Preferred Securities of the Trust. The Trustee further hereby ratifies and approves all actions having previously been taken with respect to the foregoing. In the event that any filing referred to in clauses (i)-(iii) above is required by the rules and regulations of the Commission, the New York Stock Exchange or state securities or Blue Sky laws to be executed on behalf of the Trust by the Trustee, Chase Manhattan Bank Delaware, in its capacity as Trustee of the Trust, is hereby authorized and directed to join in any such filing and to execute on behalf of the Trust any and all of the foregoing, it being understood that Chase Manhattan Bank Delaware in its capacity as Trustee of the Trust shall not be required to join in any such filing or execute on behalf of the Trust any such document unless required by the rules and regulations of the Commission, the New York Stock Exchange or state securities or Blue Sky laws.

5. This Trust Agreement may be executed in one or more counterparts.

6. The number of Trustees initially shall be one (1) and thereafter the number of Trustees shall be such number as shall be fixed from time to time by a written instrument signed by the Depositor which may increase or decrease the number of Trustees; *provided, however*, that to the extent required by the Business Trust Act, one Trustee shall either be a natural person who is a resident of the State of Delaware or, if not a natural person, an entity which has its principal place of business in the State of Delaware. Subject to the foregoing the Depositor is entitled to appoint or remove without cause any Trustee at any time. Any Trustee may resign upon thirty days' prior notice to the Depositor.

7. This Trust Agreement shall be construed in accordance with and governed by the internal laws of the State of Delaware.

IN WITNESS WHEREOF, the parties hereto have caused this Trust Agreement to be duly executed as of the day and year first above written.

GULF POWER COMPANY,
as Depositor

By: _____
Name: Wayne Boston
Title: Assistant Secretary

CHASE MANHATTAN BANK DELAWARE,
as Trustee

By: _____
Name: John J. Cashin
Title: Senior Trust Officer

EXHIBIT A.2.

GULF POWER CAPITAL TRUST I

AMENDED AND RESTATED

TRUST AGREEMENT

among

GULF POWER COMPANY, as Depositor,

THE CHASE MANHATTAN BANK, as Property Trustee,

CHASE MANHATTAN BANK DELAWARE, as Delaware Trustee,

and

LINDA MALONE and WAYNE BOSTON,
as Administrative Trustees

Dated as of January 1, 1997

GULF POWER CAPITAL TRUST I

Certain Sections of this Trust Agreement relating to Sections 310 through 318 of the Trust Indenture Act of 1939:

Trust Indenture Act Section	Trust Agreement Section
Section 310(a)(1)	8.07
(a)(2)	8.07
(a)(3)	8.09
(a)(4)	Not Applicable
(b)	8.08
Section 311(a)	8.13
(b)	8.13
Section 312(a)	5.07
(b)	5.07
(c)	5.07
Section 313(a)	8.14(a)
(a)(4)	8.14(b)
(b)	8.14(b)
(c)	8.14(a)
(d)	8.14(a), 8.14(b)
Section 314(a)	8.15
(b)	Not Applicable
(c)(1)	8.15, 8.16
(c)(2)	8.16
(c)(3)	8.16
(d)	Not Applicable
(e)	8.16
Section 315(a)	8.01
(b)	8.02, 8.14(b)
(c)	8.01(a)
(d)	8.01, 8.03
(e)	Not Applicable
Section 316(a)	Not Applicable
(a)(1)(A)	8.19
(a)(1)(B)	8.19
(a)(2)	Not Applicable
(b)	Not Applicable
(c)	Not Applicable
Section 317(a)(1)	Not Applicable
(a)(2)	Not Applicable
(b)	5.09
Section 318(a)	10.10

Note: This Cross-Reference Table does not constitute part of the Trust Agreement and shall not affect the interpretation of any of its terms and provisions.

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EXHIBIT A [INTENTIONALLY RESERVED]
EXHIBIT B Form of Certificate Depository Agreement
EXHIBIT C Form of Common Securities Certificate
EXHIBIT D Form of Expense Agreement
EXHIBIT E Form of Preferred Securities Certificate

AMENDED AND RESTATED TRUST AGREEMENT

THIS AMENDED AND RESTATED TRUST AGREEMENT is made as of January 1, 1997, by and among (i) Gulf Power Company, a Maine corporation (the "Depositor" or the "Company"), (ii) The Chase Manhattan Bank, a banking corporation duly organized and existing under the laws of New York, as trustee (the "Property Trustee" and, in its separate corporate capacity and not in its capacity as Trustee, the "Bank"), (iii) Chase Manhattan Bank Delaware, a banking corporation duly organized under the laws of Delaware, as Delaware trustee (the "Delaware Trustee" and, in its separate corporate capacity and not in its capacity as Delaware Trustee, the "Delaware Bank"), (iv) Linda Malone, an individual, and Wayne Boston, an individual, as administrative trustees (each an "Administrative Trustee" and together the "Administrative Trustees") (the Property Trustee, the Delaware Trustee and the Administrative Trustees referred to collectively as the "Trustees") and (v) the several Holders, as hereinafter defined.

WITNESSETH:

WHEREAS, the Depositor and the Delaware Trustee have heretofore duly declared and established a business trust pursuant to the Delaware Business Trust Act by the entering into that certain Trust Agreement, dated as of December 26, 1996 (the "Original Trust Agreement"), and by the execution and filing by the Delaware Trustee with the Secretary of State of the State of Delaware of the Certificate of Trust, dated December 26, 1996; and

WHEREAS, the parties hereto desire to amend and restate the Original Trust Agreement in its entirety as set forth herein to provide for, among other things, (i) the addition of the Bank, Linda Malone and Wayne Boston as trustees of the Trust, (ii) the acquisition by the Trust from the Depositor of all of the right, title and interest in the Junior Subordinated Notes, (iii) the issuance of the Common Securities by the Trust to the Depositor, and (iv) the issuance and sale of the Preferred Securities by the Trust pursuant to the Underwriting Agreement.

NOW THEREFORE, in consideration of the agreements and obligations set forth herein and for other good and valuable consideration, the sufficiency of which is hereby acknowledged, each party, for the benefit of the other parties and for the benefit of the Securityholders, hereby amends and restates the Original Trust Agreement in its entirety and agrees as follows:

ARTICLE I

Defined Terms

Section 1.01 Definitions. For all purposes of this Trust Agreement, except as otherwise expressly provided or unless the context otherwise requires:

(a) the terms defined in this Article have the meanings assigned to them in this Article and include the plural as well as the singular;

(b) all other terms used herein that are defined in the Trust Indenture Act, either directly or by reference therein, have the meanings assigned to them therein;

(c) unless the context otherwise requires, any reference to an "Article" or a "Section" refers to an Article or a Section, as the case may be, of this Trust Agreement; and

(d) the words "herein," "hereof" and "hereunder" and other words of similar import refer to this Trust Agreement as a whole and not to any particular Article, Section or other subdivision.

"Act" has the meaning specified in Section 6.08

"Additional Amount" means, with respect to Trust Securities of a given Liquidation Amount and/or a given period, an amount equal to the Additional Interest (as defined in clause (ii) of the definition of "Additional Interest" in the Subordinated Indenture) paid by the Depositor on a Like Amount of Junior Subordinated Notes for such period.

"Administrative Trustee" means each of the individuals identified as an "Administrative Trustee" in the preamble to this Trust Agreement solely in their capacities as Administrative Trustees of the Trust formed and continued hereunder and not in their individual capacities, or such trustee's successor(s) in interest in such capacity, or any successor "Administrative Trustee" appointed as herein provided.

"Affiliate" of any specified Person means any other Person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified Person. For the purposes of this definition, "control" when used with respect to any specified Person means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms "controlling" and "controlled" have meanings correlative to the foregoing.

"Bank" has the meaning specified in the preamble to this Trust Agreement.

"Bankruptcy Event" means, with respect to any Person:

(i) the entry of a decree or order by a court having jurisdiction in the premises judging such Person a bankrupt or insolvent, or approving as properly filed a petition seeking reorganization, arrangement, adjudication or composition of or in respect of such Person under federal bankruptcy law or any other applicable federal or state law, or appointing a receiver, liquidator, assignee, trustee, sequestrator or other similar official of such Person or of any substantial part of its property, or ordering the winding up or liquidation of its affairs, and the continuance of such decree or order unstayed and in effect for a period of 60 consecutive days; or

(ii) the institution by such Person of proceedings to be adjudicated a bankrupt or insolvent, or the consent by it to the institution of bankruptcy or insolvency proceedings against it, or the filing by it of a petition or answer or consent seeking reorganization or relief under federal bankruptcy law or any other applicable federal or state law, or the consent by it to the filing of such petition or to the appointment of a receiver, liquidator, assignee, trustee, sequestrator or similar official of such Person or of any substantial part of its property, or the making by it of an assignment for the benefit of creditors, or the admission by it in writing of its inability to pay its debts generally as they become due, or the taking of action by such Person in furtherance of any such action.

"Bankruptcy Laws" has the meaning specified in Section 10.09.

"Board Resolution" means a copy of a resolution certified by the Secretary or an Assistant Secretary of the Depositor to have been duly adopted by the Depositor's Board of Directors or a duly authorized committee thereof and to be in full force and effect on the date of such certification, and delivered to the Trustees.

"Book-Entry Preferred Securities Certificates" means certificates representing Preferred Securities issued in global, fully registered form to the Clearing Agency as described in Section 5.11.

"Business Day" means a day other than (i) a Saturday or a Sunday, (ii) a day on which banks in New York, New York are authorized or obligated by law or executive order to remain closed or (iii) a day on which the Corporate Trust Office or the

Indenture Trustee's principal corporate trust office is closed for business.

"Certificate Depository Agreement" means the agreement among the Trust, the Property Trustee and The Depository Trust Company, as the initial Clearing Agency, dated January 28, 1997, relating to the Preferred Securities Certificates, substantially in the form attached as Exhibit B, as the same may be amended and supplemented from time to time.

"Clearing Agency" means an organization registered as a "clearing agency" pursuant to Section 17A of the Securities Exchange Act of 1934, as amended. The Depository Trust Company will be the initial Clearing Agency.

"Clearing Agency Participant" means a broker, dealer, bank, other financial institution or other Person for whom from time to time a Clearing Agency effects book-entry transfers and pledges of securities deposited with the Clearing Agency.

"Code" means the Internal Revenue Code of 1986, as amended.

"Commission" means the Securities and Exchange Commission, as from time to time constituted, created under the Securities Exchange Act of 1934, or, if at any time after the execution of this instrument such Commission is not existing and performing the duties now assigned to it under the Trust Indenture Act, then the body performing such duties at such time.

"Common Security" means an undivided beneficial ownership interest in the assets of the Trust having a Liquidation Amount of $25 and having the rights provided therefor in this Trust Agreement, including the right to receive Distributions and a Liquidation Distribution as provided herein.

"Common Securities Certificate" means a certificate evidencing ownership of a Common Security or Securities, substantially in the form attached as Exhibit C.

"Company" means Gulf Power Company.

"Corporate Trust Office" means the office of the Property Trustee at which its corporate trust business shall be principally administered.

"Definitive Preferred Securities Certificates" means either or both (as the context requires) of (i) Preferred Securities Certificates issued in certificated, fully registered form as provided in Section 5.11(a) and (ii) Preferred Securities Certificates issued in certificated, fully registered form as provided in Section 5.13.

"Delaware Bank" has the meaning specified in the preamble to this Trust Agreement.

"Delaware Business Trust Act" means Chapter 38 of Title 12 of the Delaware Code, 12 Del. Code Section 3801 et seq., as it may be amended from time to time.

"Delaware Trustee" means the commercial bank or trust company or any other Person identified as the "Delaware Trustee" and has the meaning specified in the preamble to this Trust Agreement solely in its capacity as Delaware Trustee of the Trust formed and continued hereunder and not in its individual capacity, or its successor in interest in such capacity, or any successor Delaware Trustee appointed as herein provided.

"Depositor" means Gulf Power Company, in its capacity as "Depositor" under this Trust Agreement.

"Distribution Date" has the meaning specified in Section 4.01(a).

"Distributions" means amounts payable in respect of the Trust Securities as provided in Section 4.01.

"Event of Default" means any one of the following events (whatever the reason for such Event of Default and whether it shall be voluntary or involuntary or be effected by operation of law or pursuant to any judgment, decree or order of any court or any order, rule or regulation of any administrative or governmental body):

(i) the occurrence of an Indenture Event of Default; or

(ii) default by the Trust in the payment of any Distribution when it becomes due and payable, and continuation of such default for a period of 30 days; or

(iii) default by the Trust in the payment of any Redemption Price of any Trust Security when it becomes due and payable; or

(iv) default in the performance, or breach, of any covenant or warranty of the Trustees in this Trust Agreement (other than a covenant or warranty a default in whose performance or breach is dealt with in clause (ii) or (iii) above) and continuation of such default or breach for a period of 60 days after there has been given, by registered or certified mail, to the Trustees by the Holders of at least 10% in Liquidation Amount of the Outstanding Preferred

Securities a written notice specifying such default or breach and requiring it to be remedied and stating that such notice is a "Notice of Default" hereunder; or

(v) the occurrence of a Bankruptcy Event with respect to the Trust.

"Expense Agreement" means the Agreement as to Expenses and Liabilities between the Company and the Trust, substantially in the form attached as Exhibit D, as amended from time to time.

"Exchange Act" means the Securities Exchange Act of 1934, as amended.

"Guarantee" means the Guarantee Agreement executed and delivered by the Company and The Chase Manhattan Bank, as Guarantee Trustee, contemporaneously with the execution and delivery of this Trust Agreement, for the benefit of the Holders of the Preferred Securities, as amended from time to time.

"Indenture Event of Default" means an "Event of Default" as defined in the Subordinated Indenture.

"Indenture Redemption Date" means "Redemption Date," as defined in the Subordinated Indenture.

"Indenture Trustee" means the trustee under the Subordinated Indenture.

"Issue Date" means the date of the delivery of the Trust Securities.

"Junior Subordinated Notes" means the $41,237,125 aggregate principal amount of the Depositor's Series A 7.625% Junior Subordinated Notes due December 31, 2036, issued pursuant to the Subordinated Indenture.

"Lien" means any lien, pledge, charge, encumbrance, mortgage, deed of trust, adverse ownership interest, hypothecation, assignment, security interest or preference, priority or other security agreement or preferential arrangement of any kind or nature whatsoever.

"Like Amount" means (i) Trust Securities having a Liquidation Amount equal to the principal amount of Junior Subordinated Notes to be contemporaneously redeemed in accordance with the Subordinated Indenture and the proceeds of which will be used to pay the Redemption Price of such Trust Securities and (ii) Junior Subordinated Notes having a principal amount equal to the Liquidation Amount of the Trust Securities of the Holder to whom such Junior Subordinated Notes are distributed.

"Liquidation Amount" means the stated amount of $25 per Trust Security.

"Liquidation Date" means the date on which Junior Subordinated Notes are to be distributed to Holders of Trust Securities in connection with a dissolution and liquidation of the Trust pursuant to Section 9.04.

"Liquidation Distribution" has the meaning specified in Section 9.05.

"Officers' Certificate" means a certificate signed by the Chairman of the Board, a Vice Chairman of the Board, the President or a Vice President, and by the Treasurer, an Assistant Treasurer, the Secretary or an Assistant Secretary, of the Depositor, and delivered to the appropriate Trustee. One of the officers signing an Officers' Certificate given pursuant to Section 8.16 shall be the principal executive, financial or accounting officer of the Depositor. An Officers' Certificate delivered with respect to compliance with a condition or covenant provided for in this Trust Agreement shall include:

(a) a statement that each officer signing the Officers' Certificate has read the covenant or condition and the definitions relating thereto;

(b) a brief statement of the nature and scope of the examination or investigation undertaken by each officer in rendering the Officers' Certificate;

(c) a statement that each such officer has made such examination or investigation as is necessary, in such officer's opinion, to express an informed opinion as to whether or not such covenant or condition has been complied with; and

(d) a statement as to whether, in the opinion of each such officer, such condition or covenant has been complied with.

"Opinion of Counsel" means a written opinion of counsel, who may be counsel for the Trust, the Trustees or the Depositor, but not an employee of the Trust or the Trustees, and who shall be reasonably acceptable to the Property Trustee. Any Opinion of Counsel pertaining to federal income tax matters may rely on published rulings of the Internal Revenue Service.

"Original Trust Agreement" has the meaning specified in the recitals to this Trust Agreement.

"Outstanding", when used with respect to Preferred Securities, means, as of the date of determination, all Preferred Securities theretofore authenticated and delivered under this Trust Agreement, except:

(i) Preferred Securities theretofore cancelled by the Administrative Trustees or delivered to the Administrative Trustees for cancellation;

(ii) Preferred Securities for whose payment or redemption money in the necessary amount has been theretofore deposited with the Property Trustee or any Paying Agent for the Holders of such Preferred Securities; provided that if such Preferred Securities are to be redeemed, notice of such redemption has been duly given pursuant to this Trust Agreement; and

(iii) Preferred Securities in exchange for or in lieu of which other Preferred Securities have been authenticated and delivered pursuant to this Trust Agreement;

provided, however, that in determining whether the Holders of the requisite Liquidation Amount of the Outstanding Preferred Securities have given any request, demand, authorization, direction, notice, consent or waiver hereunder, Preferred Securities owned by the Depositor, the Holder of the Common Securities, any Trustee or any Affiliate of the Depositor or any Trustee shall be disregarded and deemed not to be Outstanding, except that (a) in determining whether any Trustee shall be protected in relying upon any such request, demand, authorization, direction, notice, consent or waiver, only Preferred Securities which such Trustee knows to be so owned shall be so disregarded and (b) the foregoing shall not apply at any time when all of the outstanding Preferred Securities are owned by the Depositor, the Holder of the Common Securities, one or more Trustees and/or any such Affiliate. Preferred Securities so owned which have been pledged in good faith may be regarded as Outstanding if the pledgee establishes to the satisfaction of the Administrative Trustees the pledgee's right so to act with respect to such Preferred Securities and that the pledgee is not the Depositor or any Affiliate of the Depositor.

"Owner" means each Person who is the beneficial owner of a Book-Entry Preferred Securities Certificate as reflected in the records of the Clearing Agency or, if a Clearing Agency Participant is not the Owner, then as reflected in the records of a Person maintaining an account with such Clearing Agency (directly or indirectly, in accordance with the rules of such Clearing Agency).

"Paying Agent" means any paying agent or co-paying agent appointed pursuant to Section 5.09 and shall initially be the Property Trustee.

"Payment Account" means a segregated non-interest-bearing corporate trust account maintained by the Property Trustee for the benefit of the Securityholders in which all amounts paid in respect of the Junior Subordinated Notes will be held and from which the Property Trustee shall make payments to the Securityholders in accordance with Section 4.01.

"Person" means an individual, corporation, partnership, joint venture, trust, limited liability company or corporation, unincorporated organization or government or any agency or political subdivision thereof.

"Preferred Security" means an undivided beneficial ownership interest in the assets of the Trust having a Liquidation Amount of $25 and having rights provided therefor in this Trust Agreement, including the right to receive Distributions and a Liquidation Distribution as provided herein.

"Preferred Securities Certificate" means a certificate evidencing ownership of a Preferred Security or Securities, substantially in the form attached as Exhibit E.

"Property Trustee" means the commercial bank or trust company identified as the "Property Trustee" in the preamble to this Trust Agreement solely in its capacity as Property Trustee of the Trust formed and continued hereunder and not in its individual capacity, or its successor in interest in such capacity, or any successor "Property Trustee" as herein provided.

"Redemption Date" means, with respect to any Trust Security to be redeemed, the date fixed for such redemption by or pursuant to this Trust Agreement; provided that each Indenture Redemption Date shall be a Redemption Date for a Like Amount of Trust Securities.

"Redemption Price" means, with respect to any date fixed for redemption of any Trust Security, the Liquidation Amount of such Trust Security, plus accrued and unpaid Distributions to such date.

"Relevant Trustee" shall have the meaning specified in Section 8.10.

"Securities Register" and "Securities Registrar" are described in Section 5.04.

"Securityholder" or "Holder" means a Person in whose name a Trust Security or Securities is registered in the Securities Register; any such Person is a beneficial owner within the meaning of the Delaware Business Trust Act.

"Subordinated Indenture" means the Subordinated Note Indenture, dated as of January 1, 1997, between the Depositor and the Indenture Trustee, as supplemented by the Supplemental Indenture.

"Supplemental Indenture" means the First Supplemental Indenture, dated as of January 1, 1997, by and between the Depositor and the Indenture Trustee.

"Trust" means the Delaware business trust continued hereby and identified on the cover page to this Trust Agreement.

"Trust Agreement" means this Amended and Restated Trust Agreement, as the same may be modified, amended or supplemented in accordance with the applicable provisions hereof, including all exhibits hereto, including, for all purposes of this Amended and Restated Trust Agreement and any modification, amendment or supplement, the provisions of the Trust Indenture Act that are deemed to be a part of and govern this Amended and Restated Trust Agreement and any such modification, amendment or supplement, respectively.

"Trustees" means the Persons identified as "Trustees" in the preamble to this Trust Agreement solely in their capacities as Trustees of the Trust formed and continued hereunder and not in their individual capacities, or their successor in interest in such capacity, or any successor trustee appointed as herein provided.

"Trust Indenture Act" means the Trust Indenture Act of 1939 as in force at the date as of which this instrument was executed; provided, however, that in the event the Trust Indenture Act of 1939 is amended after such date, "Trust Indenture Act" means, to the extent required by any such amendment, the Trust Indenture Act of 1939 as so amended.

"Trust Property" means (i) the Junior Subordinated Notes, (ii) any cash on deposit in, or owing to, the Payment Account, and (iii) all proceeds and rights in respect of the foregoing and any other property and assets for the time being held or deemed to be held by the Property Trustee pursuant to this Trust Agreement.

"Trust Securities Certificate" means any one of the Common Securities Certificates or the Preferred Securities Certificates.

"Trust Security" means any one of the Common Securities or the Preferred Securities.

"Underwriting Agreement" means the Underwriting Agreement, dated January 27, 1997, among the Trust, the Depositor and the underwriters named therein.

ARTICLE II

Establishment of the Trust

Section 2.01 Name. The Trust continued he eby shall be known as "Gulf Power Capital Trust I", in which name the Trustees may conduct the business of the Trust, make and execute contracts and other instruments on behalf of the Trust and sue and be sued. The Administrative Trustees may change the name of the Trust from time to time following written notice to the Holders.

Section 2.02 Offices of the Trustees; Principal Place of Business. The address of the Property Trustee is The Chase Manhattan Bank, 450 West 33rd Street, New York, New York 10001, or at such other address as the Property Trustee may designate by written notice to the Securityholders and the Depositor. The principal place of business of the Delaware Trustee is 1201 Market Street, Wilmington, Delaware, 19801, or at such other address in Delaware as the Delaware Trustee may designate by notice to the Depositor. The address of the Administrative Trustees is c/o Gulf Power Company, 500 Bayfront Parkway, Pensacola, Florida 32501, Attention: Treasurer. The principal place of business of the Trust is c/o Gulf Power Company, 500 Bayfront Parkway, Pensacola, Florida 32501. The Depositor may change the principal place of business of the Trust at any time by giving notice thereof to the Trustees.

Section 2.03 Initial Contribution of Trust Property; Organizational Expenses. The Delaware Trustee acknowledges receipt in trust from the Depositor in connection with the Original Trust Agreement of the sum of $10, which constituted the initial Trust Property. The Depositor shall pay organizational expenses of the Trust as they arise or shall, upon request of the Trustees, promptly reimburse the Trustees for any such expenses paid by the Trustees. The Depositor shall make no claim upon the Trust Property for the payment of such expenses.

Section 2.04 Issuance of the Preferred Securities. Contemporaneously with the execution and delivery of this Trust Agreement, the Administrative Trustees, on behalf of the Trust, shall execute and deliver to the underwriters named in the Underwriting Agreement Preferred Securities Certificates, registered in the name of the nominee of the initial Clearing

Agency, in an aggregate amount of 1,600,000 Preferred Securities having an aggregate Liquidation Amount of $40,000,000, against receipt of the aggregate purchase price of such Preferred Securities of $40,000,000, which amount the Administrative Trustees shall promptly deliver to the Property Trustee.

Section 2.05 Subscription and Purchase of Junior Subordinated Notes; Issuance of the Common Securities. Contemporaneously with the execution and delivery of this Trust Agreement, the Administrative Trustees, on behalf of the Trust, shall execute and deliver to the Depositor Common Securities Certificates, registered in the name of the Depositor, in an aggregate amount of 49,485 Common Securities having an aggregate Liquidation Amount of $1,237,125, against payment by the Depositor of such amount. Contemporaneously therewith, the Administrative Trustees, on behalf of the Trust, shall subscribe to and purchase from the Depositor Junior Subordinated Notes, registered in the name of the Property Trustee, on behalf of the Trust and the Holders, and having an aggregate principal amount equal to $41,237,125, and, in satisfaction of the purchase price for such Junior Subordinated Notes, the Property Trustee, on behalf of the Trust, shall deliver to the Depositor the sum of $41,237,125.

Section 2.06 Declaration of Trust. The exclusive purposes and functions of the Trust are (i) to issue and sell the Trust Securities and use the proceeds from such sale to acquire the Junior Subordinated Notes, and (ii) to engage in those activities necessary, incidental, appropriate or convenient thereto. The Depositor hereby appoints each of the Bank, the Delaware Bank, Linda Malone and Wayne Boston as trustees of the Trust, to have all the rights, powers and duties to the extent set forth herein. The Property Trustee hereby declares that it will hold the Trust Property in trust upon and subject to the conditions set forth herein for the benefit of the Trust and the Securityholders. The Trustees shall have all rights, powers and duties set forth herein and in accordance with applicable law with respect to accomplishing the purposes of the Trust. The Delaware Trustee shall not be entitled to exercise any powers, nor shall the Delaware Trustee have any of the duties and responsibilities, of the Property Trustee or the Administrative Trustees set forth herein. The Delaware Trustee shall be one of the Trustees for the sole and limited purpose of fulfilling the requirements of the Delaware Business Trust Act.

Section 2.07 Authorization to Enter into Certain Transactions. The Trustees shall conduct the affairs of the Trust in accordance with the terms of this Trust Agreement. Subject to the limitations set forth in paragraph C of this Section, and in accordance with the following paragraphs A and B, the Trustees shall have the authority to enter into all transactions and agreements determined by the Trustees to be appropriate in exercising

ments determined by the Trustees to be appropriate in exercising the authority, express or implied, otherwise granted to the Trustees under this Trust Agreement, and to perform all acts in furtherance thereof, including without limitation, the following:

A. As among the Trustees, the Administrative Trustees, acting singly or jointly, shall have the exclusive power, duty and authority to act on behalf of the Trust with respect to the following matters:

(i) to acquire the Junior Subordinated Notes with the proceeds of the sale of the Trust Securities; provided, however, the Administrative Trustees shall cause legal title to all of the Junior Subordinated Notes to be vested in, and the Junior Subordinated Notes to be held of record in the name of, the Property Trustee for the benefit of the Trust and Holders of the Trust Securities;

(ii) to give the Depositor and the Property Trustee prompt written notice of the occurrence of any Special Event (as defined in the Supplemental Indenture) and to take any ministerial actions in connection therewith; provided, that the Administrative Trustees shall consult with the Depositor and the Property Trustee before taking or refraining to take any ministerial action in relation to a Special Event;

(iii) to establish a record date with respect to all actions to be taken hereunder that require a record date be established, including for the purposes of § 316(c) of the Trust Indenture Act and with respect to Distributions, voting rights, redemptions, and exchanges, and to issue relevant notices to Holders of the Trust Securities as to such actions and applicable record dates;

(iv) to bring or defend, pay, collect, compromise, arbitrate, resort to legal action, or otherwise adjust claims or demands of or against the Trust ("Legal Action"), unless pursuant to Section 2.07(B)(v), the Property Trustee has the power to bring such Legal Action;

(v) to employ or otherwise engage employees and agents (who may be designated as officers with titles) and managers, contractors, advisors, and consultants and pay reasonable compensation for such services;

(vi) to cause the Trust to comply with the Trust's obligations under the Trust Indenture Act;

(vii) to give the certificate to the Property Trustee required by § 314(a)(4) of the Trust Indenture Act,

which certificate may be executed by any Administrative Trustee;

(viii) to take all actions and perform such duties as may be required of the Administrative Trustees pursuant to the terms of this Trust Agreement;

(ix) to take all action that may be necessary or appropriate for the preservation and the continuation of the Trust's valid existence, rights, franchises and privileges as a statutory business trust under the laws of the State of Delaware and of each other jurisdiction in which such existence is necessary to protect the limited liability of the Holders of the Trust Securities or to enable the Trust to effect the purposes for which the Trust has been created;

(x) to take all action necessary to cause all applicable tax returns and tax information reports that are required to be filed with respect to the Trust to be duly prepared and filed by the Administrative Trustees, on behalf of the Trust;

(xi) to issue and sell the Trust Securities;

(xii) to cause the Trust to enter into, and to execute, deliver and perform on behalf of the Trust, the Expense Agreement and the Certificate Depository Agreement and such other agreements as may be necessary or desirable in connection with the consummation hereof;

(xiii) to assist in the registration of the Preferred Securities under the Securities Act of 1933, as amended, and under state securities or blue sky laws, and the qualification of this Trust Agreement as a trust indenture under the Trust Indenture Act;

(xiv) to assist in the listing of the Preferred Securities upon such securities exchange or exchanges as shall be determined by the Depositor and the registration of the Preferred Securities under the Exchange Act, and the preparation and filing of all periodic and other reports and other documents pursuant to the foregoing;

(xv) to send notices (other than notices of default) and other information regarding the Trust Securities and the Junior Subordinated Notes to the Securityholders in accordance with this Trust Agreement;

(xvi) to appoint a Paying Agent (subject to Section 5.09), authenticating agent and Securities Registrar in accordance with this Trust Agreement;

(xvii) to register transfers of the Trust Securities in accordance with this Trust Agreement;

(xviii) to assist in, to the extent provided in this Trust Agreement, the winding up of the affairs of and termination of the Trust and the preparation, execution and filing of the certificate of cancellation with the Secretary of State of the State of Delaware; and

(xix) to take any action incidental to the foregoing as the Administrative Trustees may from time to time determine is necessary, appropriate, convenient or advisable to protect and conserve the Trust Property for the benefit of the Securityholders (without consideration of the effect of any such action on any particular Securityholder).

B. As among the Trustees, the Property Trustee shall have the exclusive power, duty and authority to act on behalf of the Trust with respect to the following matters:

(i) engage in such ministerial activities as shall be necessary or appropriate to effect promptly the redemption of the Trust Securities to the extent the Junior Subordinated Notes are redeemed or mature;

(ii) upon notice of distribution issued by the Administrative Trustees in accordance with the terms of this Trust Agreement, engage in such ministerial activities as shall be necessary or appropriate to effect promptly the distribution pursuant to terms of this Trust Agreement of Junior Subordinated Notes to Holders of Trust Securities;

(iii) subject to the terms hereof, exercise all of the rights, powers and privileges of a holder of the Junior Subordinated Notes under the Subordinated Indenture and, if an Event of Default occurs and is continuing, shall enforce for the benefit of, and subject to the rights of, the Holders of the Trust Securities, its rights as holder of the Junior Subordinated Notes under the Subordinated Indenture;

(iv) take all actions and perform such duties as may be specifically required of the Property Trustee pursuant to the terms of this Trust Agreement;

(v) take any Legal Action specifically required of the Property Trustee pursuant to the terms of this Trust Agreement which arises out of or in connection with an Event of Default or the Property Trustee's duties and obligations under this Trust Agreement, the Delaware Business Trust Act or the Trust Indenture Act;

(vi) the establishment and maintenance of the Payment Account;

(vii) the receipt of and holding of legal title to the Junior Subordinated Notes as described herein;

(viii) the collection of interest, principal and any other payments made in respect of the Junior Subordinated Notes in the Payment Account;

(ix) the distribution of amounts owed to the Securityholders in respect of the Trust Securities;

(x) the sending of notices of default nd other information regarding the Trust Securities and the Junior Subordinated Notes to the Securityholders in accordance with this Trust Agreement;

(xi) the distribution of the Trust Property in accordance with the terms of this Trust Agreement;

(xii) as provided in this Trust Agreement, the winding up of the affairs of and termination of the Trust and the preparation, execution and filing of the certificate of cancellation with the Secretary of State of Delaware; and

(xiii) the taking of any action incidental to the foregoing as the Property Trustee may from time to time determine is necessary, appropriate, convenient or advisable to protect and conserve the Trust Property for the benefit of the Securityholders (without consideration of the effect of any such action on any particular Securityholder).

C. So long as this Trust Agreement remains in effect, the Trust (or the Trustees acting on behalf of the Trust) shall not undertake any business, activities or transaction except as expressly provided herein or contemplated hereby. In particular, the Trustees shall not (i) acquire any investments or engage in any activities not authorized by this Trust Agreement, (ii) sell, assign, transfer, exchange, pledge, set-off or otherwise dispose of any of the Trust Property or interests therein, including to Securityholders, except as expressly provided herein, (iii) take any action that would cause the Trust to fail or cease to qualify as a grantor trust for United States federal income tax purposes, (iv) incur any indebtedness for borrowed money, (v) take or consent to any action that would result in the placement of a Lien on any of the Trust Property, (vi) issue any securities other than the Trust Securities, or (vii) have any power to, or agree to any action by the Depositor that would, vary the investment (within the meaning of Treasury Regulation Section 301.7701-4(c)) of the

Trust or of the Securityholders. The Trustees shall defend all claims and demands of all Persons at any time claiming any Lien on any of the Trust Property adverse to the interest of the Trust or the Securityholders in their capacity as Securityholders.

D. In connection with the issue and sale of the Preferred Securities, the Depositor shall have the right and responsibility to assist the Trust with respect to, or effect on behalf of the Trust, the following (and any actions taken by the Depositor in furtherance of the following prior to the date of this Trust Agreement are hereby ratified and confirmed in all respects):

(i) to prepare for filing by the Trust with the Commission a registration statement on Form S-3 under the Securities Act of 1933, as amended, in relation to the Preferred Securities, including any amendments thereto;

(ii) to determine the states in which to take appropriate action to qualify or register for sale all or part of the Preferred Securities and to do any and all such acts, other than actions which must be taken by or on behalf of the Trust, and advise the Trustees of actions they must take on behalf of the Trust, and prepare for execution and filing any documents to be executed and filed by the Trust or on behalf of the Trust, as the Depositor deems necessary or advisable in order to comply with the applicable laws of any such States;

(iii) to prepare for filing by the Trust an application to the New York Stock Exchange or any other national stock exchange or the NASDAQ National Market for listing upon notice of issuance of any Preferred Securities;

(iv) to prepare for filing by the Trust with the Commission a registration statement on Form 8-A relating to the registration of the Preferred Securities under Section 12(b) of the Exchange Act, including any amendments thereto;

(v) to negotiate the terms of the Underwriting Agreement providing for the sale of the Preferred Securities and to execute, deliver and perform the Underwriting Agreement on behalf of the Trust; and

(vi) any other actions necessary, incidental, appropriate or convenient to carry out any of the foregoing activities.

E. Notwithstanding anything herein to the contrary, the Administrative Trustees are authorized and directed to conduct the affairs of the Trust and to operate the Trust so that the Trust will not be deemed to be an "investment company" required to be

registered under the Investment Company Act of 1940, as amended, or taxed as other than a grantor trust for United States federal income tax purposes and so that the Junior Subordinated Notes will be treated as indebtedness of the Depositor for United States federal income tax purposes. In this connection, the Depositor and the Administrative Trustees are authorized to take any action, not inconsistent with applicable law, the Certificate of Trust or this Trust Agreement, that each of the Depositor and the Administrative Trustees determines in its discretion to be necessary or desirable for such purposes, as long as such action does not materially and adversely affect the interests of the Holders of the Preferred Securities.

Section 2.08 Assets of Trust. The assets of the Trust shall consist of the Trust Property.

Section 2.09 Title to Trust Property. Legal title to all Trust Property shall be vested at all times in the Property Trustee (in its capacity as such) and shall be held and administered by the Property Trustee for the benefit of the Securityholders and the Trust in accordance with this Trust Agreement. The right, title and interest of the Property Trustee to the Junior Subordinated Notes shall vest automatically in each Person who may thereafter be appointed as Property Trustee in accordance with the terms hereof. Such vesting and cessation of title shall be effective whether or not conveyancing documents have been executed and delivered.

Section 2.10 Mergers and Consolidations of the Trust. The Trust may not consolidate, amalgamate, merge with or into, or be replaced by, or convey, transfer or lease its properties and assets substantially as an entirety to any corporation or other body, except as described below or otherwise provided in this Trust Agreement. The Trust may at the request of the Company, with the consent of the Administrative Trustees and without the consent of the Holders of the Trust Securities, consolidate, amalgamate, merge with or into, or be replaced by a trust organized as such under the laws of any state; provided, that (i) such successor entity either (x) expressly assumes all of the obligations of the Trust with respect to the Trust Securities or (y) substitutes for the Preferred Securities other securities having substantially the same terms as the Trust Securities (herein referred to as the "Successor Securities") so long as the Successor Securities rank the same as the Trust Securities rank in priority with respect to Distributions and payments upon liquidation, redemption and otherwise, (ii) the Company expressly appoints a trustee of such successor entity possessing the same powers and duties as the Property Trustee as the holder of legal title to the Junior Subordinated Notes, (iii) the Preferred Securities or any Successor Securities are listed, or any Successor Securities will be listed upon notification of issuance,

on any national securities exchange or other organization on which the Preferred Securities are then listed, (iv) such merger, consolidation, amalgamation or replacement does not cause the Preferred Securities (including any Successor Securities) to be downgraded by any nationally recognized statistical rating organization, (v) such merger, consolidation, amalgamation or replacement does not adversely affect the rights, preferences and privileges of the Holders of the Trust Securities (including any Successor Securities) in any material respect, (vi) such successor entity has a purpose substantially identical to that of the Trust, (vii) prior to such merger, consolidation, amalgamation, or replacement, the Company has received an Opinion of Counsel to the effect that (A) such merger, consolidation, amalgamation or replacement does not adversely affect the rights, preferences and privileges of the Holders of the Trust Securities (including any Successor Securities) in any material respect, and (B) following such merger, consolidation, amalgamation or replacement, neither the Trust nor such successor entity will be required to register as an investment company under the Investment Company Act of 1940, and (viii) the Company guarantees the obligations of such successor entity under the Successor Securities at least to the extent provided by the Guarantee. Notwithstanding the foregoing, the Trust shall not, except with the consent of Holders of 100% in Liquidation Amount of the Trust Securities, consolidate, amalgamate, merge with or into, or be replaced by any other entity or permit any other entity to consolidate, amalgamate, merge with or into, or replace it if such consolidation, amalgamation, merger or replacement would cause the Trust or the successor entity to be classified as other than a grantor trust for federal income tax purposes.

ARTICLE III

Payment Account

Section 3.01 Payment Account.

(a) On or prior to the Issue Date, the Property Trustee shall establish the Payment Account. The Property Trustee and an agent of the Property Trustee shall have exclusive control and sole right of withdrawal with respect to the Payment Account for the purpose of making deposits in and withdrawals from the Payment Account in accordance with this Trust Agreement. All monies and other property deposited or held from time to time in the Payment Account shall be held by the Property Trustee in the Payment Account for the exclusive benefit of the Securityholders and for distribution as herein provided, including (and subject to) any priority of payments provided for herein.

(b) The Property Trustee shall deposit in the Payment Account, promptly upon receipt, all payments of principal or interest on, and any other payments or proceeds with respect to, the Junior Subordinated Notes. Amounts held in the Payment Account shall not be invested by the Property Trustee pending distribution thereof.

ARTICLE IV

Distributions; Redemption

Section 4.01 Distributions.

(a) Distributions on the Trust Securities shall be cumulative and accrue from the Issue Date and, except in the event that the Depositor exercises its right to extend the interest payment period for the Junior Subordinated Notes pursuant to Section 104 of the Supplemental Indenture, shall be payable quarterly in arrears on March 31, June 30, September 30 and December 31 of each year, commencing on March 31, 1997. If any date on which Distributions are otherwise payable on the Trust Securities is not a Business Day, then the payment of such Distribution shall be made on the next succeeding day which is a Business Day (and without any interest or other payment in respect of any such delay) except that, if such Business Day is in the next succeeding calendar year, payment of such Distribution shall be made on the immediately preceding Business Day, in each case, with the same force and effect as if made on such date (each such date, a "Distribution Date").

(b) Distributions payable on the Trust Securities shall be fixed at a rate of 7.625% per annum of the Liquidation Amount of the Trust Securities. The amount of Distributions payable for any full quarterly period shall be computed on the basis of twelve 30-day months and a 360-day year. If the interest payment period for the Junior Subordinated Notes is extended pursuant to Section 104 of the Supplemental Indenture (an "Extension Period"), then the rate per annum at which Distributions on the Trust Securities accumulate shall be increased by an amount such that the aggregate amount of Distributions that accumulate on all Trust Securities during any such Extension Period is equal to the aggregate amount of interest (including interest payable on unpaid interest at the percentage rate per annum set forth above, compounded quarterly, to the extent permitted by applicable law) that accrues during any such Extension Period on the Junior Subordinated Notes. The payment of such deferred interest, together with interest thereon, will be distributed to the Holders of the Trust Securities as received at the end of any Extension Period. The amount of Distributions payable for any period shall include the Additional Amounts, if any.

(c) Distributions on the Trust Securities shall be made and shall be deemed payable on each Distribution Date only to the extent that the Trust has legally and immediately available funds in the Payment Account for the payment of such Distributions.

(d) Distributions, including Additional Amounts, if any, on the Trust Securities on each Distribution Date shall be payable to the Holders thereof as they appear on the Securities Register for the Trust Securities on the relevant record date, which shall be the close of business on the fifteenth calendar day prior to the relevant Distribution Date.

Each Trust Security upon registration of transfer of or in exchange for or in lieu of any other Trust Security shall carry the rights of Distributions accrued (including Additional Amounts, if any) and unpaid, and to accrue (including Additional Amounts, if any), which were carried by such other Trust Security.

Section 4.02 Redemption.

(a) On each Redemption Date with respect to the Junior Subordinated Notes, the Trust will be required to redeem a Like Amount of Trust Securities at the Redemption Price.

(b) Notice of redemption shall be given by the Property Trustee by first-class mail, postage prepaid, mailed not less than 30 nor more than 60 days prior to the Redemption Date to each Holder of Trust Securities to be redeemed, at such Holder's address appearing in the Securities Register. All notices of redemption shall state:

(i) the Redemption Date;

(ii) the Redemption Price;

(iii) the CUSIP number;

(iv) if less than all the Outstanding Trust Securities are to be redeemed, the total Liquidation Amount of the Trust Securities to be redeemed; and

(v) that on the Redemption Date the Redemption Price will become due and payable upon each such Trust Security to be redeemed and that Distributions thereon will cease to accrue on and after such date.

(c) The Trust Securities redeemed on each Redemption Date shall be redeemed at the Redemption Price with the proceeds from the contemporaneous redemption of Junior Subordinated Notes. Redemptions of the Trust Securities shall be made and the

Redemption Price shall be deemed payable on each Redemption Date only to the extent that the Trust has funds legally and immediately available in the Payment Account for the payment of such Redemption Price.

(d) If the Property Trustee gives a notice of redemption in respect of any Preferred Securities, then, by 2:00 p.m. New York time, on the Redemption Date, subject to Section 4.02(c), the Property Trustee will, so long as the Preferred Securities are in book-entry only form, irrevocably deposit with the Clearing Agency for the Preferred Securities funds sufficient to pay the applicable Redemption Price. If the Preferred Securities are no longer in book-entry only form, the Property Trustee, subject to Section 4.02(c), shall irrevocably deposit with the Paying Agent funds sufficient to pay the applicable Redemption Price and will give the Paying Agent irrevocable instructions to pay the Redemption Price to the Holders thereof upon surrender of their Preferred Securities Certificates. Notwithstanding the foregoing, Distributions payable on or prior to the Redemption Date for any Trust Securities called for redemption shall be payable to the Holders of such Trust Securities as they appear on the Securities Register for the Trust Securities on the relevant record dates for the related Distribution Dates. If notice of redemption shall have been given and funds deposited as required, then upon the date of such deposit, all rights of Securityholders holding Trust Securities so called for redemption will cease, except the right of such Securityholders to receive the Redemption Price, but without interest, and such Securities will cease to be outstanding. In the event that any date on which any Redemption Price is payable is not a Business Day, then payment of the Redemption Price payable on such date shall be made on the next succeeding day which is a Business Day (and without any interest or other payment in respect of any such delay) except that, if such Business Day is in the next succeeding calendar year, payment of such Redemption Price shall be made on the immediately preceding Business Day, in each case, with the same force and effect as if made on such date. In the event that payment of the Redemption Price in respect of Trust Securities is improperly withheld or refused and not paid either by the Trust or by the Depositor pursuant to the Guarantee, Distributions on such Trust Securities will continue to accrue at the then applicable rate, from such Redemption Date originally established by the Trust for such Preferred Securities to the date such Redemption Price is actually paid.

(e) Payment of the Redemption Price on the Trust Securities shall be made to the recordholders thereof as they appear on the Securities Register for the Trust Securities on the relevant record date, which shall be the close of business on the fifteenth calendar day prior to the Redemption Date.

(f) If less than all the Outstanding Trust Securities are to be redeemed on a Redemption Date, then the aggregate Liquidation Amount of Trust Securities to be redeemed shall be allocated 3% to the Common Securities and 97% to the Preferred Securities, with such adjustments that each amount so allocated shall be divisible by $25. The particular Preferred Securities to be redeemed shall be selected not more than 60 days prior to the Redemption Date by the Property Trustee from the Outstanding Preferred Securities not previously called for redemption, by such method as the Property Trustee shall deem fair and appropriate and which may provide for the selection for a redemption of portions (equal to $25 or integral multiple thereof) of the Liquidation Amount of Preferred Securities of a denomination larger than $25; provided, however, that before undertaking redemption of the Preferred Securities on other than a pro rata basis, the Property Trustee shall have received an Opinion of Counsel that the status of the Trust as a grantor trust for federal income tax purposes would not be adversely affected. The Property Trustee shall promptly notify the Securities Registrar in writing of the Preferred Securities selected for redemption and, in the case of any Preferred Securities selected for partial redemption, the Liquidation Amount thereof to be redeemed. For all purposes of this Trust Agreement, unless the context otherwise requires, all provisions relating to the redemption of Preferred Securities shall relate, in the case of any Preferred Securities redeemed or to be redeemed only in part, to the portion of the Liquidation Amount of Preferred Securities which has been or is to be redeemed.

(g) Subject to the foregoing provisions of Section 4.02 and to applicable law (including, without limitation, United States federal securities laws), the Company or its Affiliates may, at any time and from time to time, purchase outstanding Preferred Securities by tender, in the open market or by private agreement.

Section 4.03 Subordination of Common Securities.

(a) Payment of Distributions (including Additional Amounts, if applicable) on, and the Redemption Price of, the Trust Securities, as applicable, shall be made pro rata based on the Liquidation Amount of the Trust Securities; provided, however, that if on any Distribution Date or Redemption Date an Indenture Event of Default shall have occurred and be continuing, no payment of any Distribution (including Additional Amounts, if applicable) on, or Redemption Price of, any Common Security, and no other payment on account of the redemption, liquidation or other acquisition of Common Securities, shall be made unless payment in full in cash of all accumulated and unpaid Distributions (including Additional Amounts, if applicable) on all Outstanding Preferred Securities for all distribution periods terminating on or prior thereto, or in the case of payment of the Redemption

Price the full amount of such Redemption Price on all Outstanding Preferred Securities, shall have been made or provided for, and all funds immediately available to the Property Trustee shall first be applied to the payment in full in cash of all Distributions (including Additional Amounts, if applicable) on, or Redemption Price of, Preferred Securities then due and payable.

(b) In the case of the occurrence of any Indenture Event of Default, the Holder of Common Securities will be deemed to have waived any such Event of Default under this Trust Agreement until the effect of all such Events of Default with respect to the Preferred Securities have been cured, waived or otherwise eliminated. Until any such Events of Default under this Trust Agreement with respect to the Preferred Securities have been so cured, waived or otherwise eliminated, the Property Trustee shall act solely on behalf of the Holders of the Preferred Securities and not the Holder of the Common Securities, and only the Holders of the Preferred Securities will have the right to direct the Property Trustee to act on their behalf.

Section 4.04 Payment Procedures. Payments in respect of the Preferred Securities shall be made by check mailed to the address of the Person entitled thereto as such address shall appear on the Securities Register or, if the Preferred Securities are held by a Clearing Agency, such Distributions shall be made to the Clearing Agency, which shall credit the relevant Persons' accounts at such Clearing Agency on the applicable distribution dates. Payments in respect of the Common Securities shall be made in such manner as shall be mutually agreed between the Property Trustee and the Holder of the Common Securities.

Section 4.05 Tax Returns and Reports. The Administrative Trustee(s) shall prepare (or cause to be prepared), at the Depositor's expense, and file all United States federal, state and local tax and information returns and reports required to be filed by or in respect of the Trust. The Administrative Trustee(s) shall provide or cause to be provided on a timely basis to each Holder any Internal Revenue Service form required to be so provided in respect of the Trust Securities.

ARTICLE V

Trust Securities Certificates

Section 5.01 Initial Ownership. Upon the creation of the Trust by the contribution by the Depositor pursuant to Section 2.03 and until the issuance of the Trust Securities, and at any time during which no Trust Securities are outstanding, the Depositor shall be the sole beneficial owner of the Trust.

Section 5.02 The Trust Securities Certificates. Each of the Preferred and Common Securities Certificates shall be issued in minimum denominations of $25 and integral multiples in excess thereof. The Trust Securities Certificates shall be executed on behalf of the Trust by manual or facsimile signature of at least one Administrative Trustee. Trust Securities Certificates bearing the manual or facsimile signatures of individuals who were, at the time when such signatures shall have been affixed, authorized to sign on behalf of the Trust, shall be validly issued and entitled to the benefits of this Trust Agreement, notwithstanding that such individuals or any of them shall have ceased to be so authorized prior to the authentication and delivery of such Trust Securities Certificates or did not hold such offices at the date of authentication and delivery of such Trust Securities Certificates. A transferee of a Trust Securities Certificate shall become a Securityholder, and shall be entitled to the rights and subject to the obligations of a Securityholder hereunder, upon due registration of such Trust Securities Certificate in such transferee's name pursuant to Section 5.04.

Section 5.03 Authentication of Trust Securities Certificates. On the Issue Date, the Administrative Trustees shall cause Trust Securities Certificates, in an aggregate Liquidation Amount as provided in Sections 2.04 and 2.05, to be executed on behalf of the Trust, authenticated and delivered to or upon the written order of the Depositor signed by its Chairman of the Board, its President or any Vice President, without further corporate action by the Depositor, in authorized denominations. No Trust Securities Certificate shall entitle its holder to any benefit under this Trust Agreement, or shall be valid for any purpose, unless there shall appear on such Trust Securities Certificate a certificate of authentication substantially in the form set forth in Exhibit E or Exhibit C, as applicable, executed by at least one Administrative Trustee by manual signature; such authentication shall constitute conclusive evidence that such Trust Securities Certificate shall have been duly authenticated and delivered hereunder. All Trust Securities Certificates shall be dated the date of their authentication.

Section 5.04 Registration of Transfer and Exchange of Preferred Securities Certificates. The Securities Registrar shall keep or cause to be kept, at the office or agency maintained pursuant to Section 5.08, a Securities Register in which, subject to such reasonable regulations as it may prescribe, the Securities Registrar shall provide for the registration of Preferred Securities Certificates and the Common Securities Certificates (subject to Section 5.10 in the case of the Common Securities Certificates) and registration of transfers and exchanges of Preferred Securities Certificates as herein provided. The Property Trustee shall be the initial Securities Registrar.

Upon surrender for registration of transfer of any Preferred Securities Certificate at the office or agency maintained pursuant to Section 5.08, the Administrative Trustees shall execute, authenticate and deliver in the name of the designated transferee or transferees one or more new Preferred Securities Certificates in authorized denominations of a like aggregate Liquidation Amount dated the date of authentication by the Administrative Trustee or Trustees. The Securities Registrar shall not be required to register the transfer of any Preferred Securities that have been called for redemption. At the option of a Holder, Preferred Securities Certificates may be exchanged for other Preferred Securities Certificates in authorized denominations of the same class and of a like aggregate Liquidation Amount upon surrender of the Preferred Securities Certificates to be exchanged at the office or agency maintained pursuant to Section 5.08.

Every Preferred Securities Certificate presented or surrendered for registration of transfer or exchange shall be accompanied by a written instrument of transfer in form satisfactory to the Trustees and the Securities Registrar duly executed by the Holder or his attorney duly authorized in writing. Each Preferred Securities Certificate surrendered for registration of transfer or exchange shall be cancelled and subsequently disposed of by the Securities Registrar in accordance with its customary practice.

No service charge shall be made for any registration of transfer or exchange of Preferred Securities Certificates, but the Securities Registrar or the Administrative Trustees may require payment of a sum sufficient to cover any tax or governmental charge that may be imposed in connection with any transfer or exchange of Preferred Securities Certificates.

Section 5.05 Mutilated, Destroyed, Lost or Stolen Trust Securities Certificates. If (a) any mutilated Trust Securities Certificate shall be surrendered to the Securities Registrar, or if the Securities Registrar shall receive evidence to its satisfaction of the destruction, loss or theft of any Trust Securities Certificate and (b) there shall be delivered to the Securities Registrar and the Administrative Trustees such security or indemnity as may be required by them to save each of them harmless, then in the absence of notice that such Trust Securities Certificate shall have been acquired by a bona fide purchaser, the Administrative Trustees or any one of them on behalf of the Trust shall execute and authenticate and make available for delivery, in exchange for or in lieu of any such mutilated, destroyed, lost or stolen Trust Securities Certificate, a new Trust Securities Certificate of like class, tenor and denomination. In connection with the issuance of any new Trust Securities Certificate under this Section, the Administrative Trustees or the Securities Registrar may require the payment of a sum sufficient to cover any

tax or other governmental charge that may be imposed in connection therewith. Any duplicate Trust Securities Certificate issued pursuant to this Section shall constitute conclusive evidence of an ownership interest in the Trust, as if originally issued, whether or not the lost, stolen or destroyed Trust Securities Certificate shall be found at any time.

Section 5.06 Persons Deemed Securityholders. Prior to due presentation of a Trust Securities Certificate for registration of transfer, the Trustees or the Securities Registrar shall treat the Person in whose name any Trust Securities Certificate shall be registered in the Securities Register as the owner of such Trust Securities Certificate for the purpose of receiving Distributions (subject to Section 4.01(d)) and for all other purposes whatsoever, and neither the Trustees nor the Securities Registrar shall be bound by any notice to the contrary.

Section 5.07 Access to List of Securityholders' Names and Addresses. The Administrative Trustees shall furnish or cause to be furnished to (i) the Depositor and the Property Trustee semi-annually, not later than June 1 and December 1 in each year, and (ii) the Depositor or the Property Trustee, as the case may be, within 15 days after receipt by any Administrative Trustee of a request therefor from the Depositor or the Property Trustee, as the case may be, in writing, a list, in such form as the Depositor or the Property Trustee, as the case may be, may reasonably require, of the names and addresses of the Securityholders as of a date not more than 15 days prior to the time such list is furnished. If three or more Securityholders or one or more Holders of Trust Securities Certificates evidencing not less than 25% of the outstanding Liquidation Amount apply in writing to the Administrative Trustees, and such application states that the applicants desire to communicate with other Securityholders with respect to their rights under this Trust Agreement or under the Trust Securities Certificates and such application is accompanied by a copy of the communication that such applicants propose to transmit, then the Administrative Trustees shall, within five Business Days after the receipt of such application, afford such applicants access during normal business hours to the current list of Securityholders. Each Holder, by receiving and holding a Trust Securities Certificate, shall be deemed to have agreed not to hold either the Depositor or the Administrative Trustees accountable by reason of the disclosure of its name and address, regardless of the source from which such information was derived.

Section 5.08 Maintenance of Office or Agency. The Administrative Trustees shall maintain in the Borough of Manhattan, New York, an office or offices or agency or agencies where Preferred Securities Certificates may be surrendered for registration of transfer or exchange and where notices and demands to or upon the Trustees in respect of the Trust Securities

Certificates may be served. The Administrative Trustees initially designate The Chase Manhattan Bank, 450 West 33rd Street, New York, New York 10001, as its principal agency for such purposes. The Administrative Trustees shall give prompt written notice to the Depositor and to the Securityholders of any change in the location of the Securities Register or any such office or agency.

Section 5.09 Appointment of Paying Agent. The Paying Agent shall make Distributions and other payments provided hereby to Securityholders from the Payment Account and shall report the amounts of such Distributions and payments to the Property Trustee and the Administrative Trustees. Any Paying Agent shall have the revocable power to withdraw funds from the Payment Account for the purpose of making the Distributions and payments provided hereby. The Administrative Trustees may revoke such power and remove the Paying Agent if such Trustees determine in their sole discretion that the Paying Agent shall have failed to perform its obligations under this Agreement in any material respect. The Paying Agent shall initially be the Property Trustee, and it may choose any co-paying agent that is acceptable to the Administrative Trustees and the Depositor. Any Person acting as Paying Agent shall be permitted to resign as Paying Agent upon 30 days' written notice to the Administrative Trustees and the Depositor. In the event that a Paying Agent shall resign or be removed, the Administrative Trustees shall appoint a successor that is acceptable to the Depositor to act as Paying Agent (which shall be a bank or trust company). The Administrative Trustees shall cause such successor Paying Agent or any additional Paying Agent appointed by the Administrative Trustees to execute and deliver to the Trustees an instrument in which such successor Paying Agent or additional Paying Agent shall agree with the Trustees that as Paying Agent, such successor Paying Agent or additional Paying Agent will hold all sums, if any, held by it for payment to the Securityholders in trust for the benefit of the Securityholders entitled thereto until such sums shall be paid to such Securityholders. The Paying Agent shall return all unclaimed funds to the Property Trustee and upon removal of a Paying Agent such Paying Agent shall also return all funds in its possession to the Property Trustee. The provisions of Sections 8.01, 8.03 and 8.06 shall apply to the Property Trustee also in its role as Paying Agent, for so long as the Property Trustee shall act as Paying Agent and, to the extent applicable, to any other paying agent appointed hereunder. Any reference in this Agreement to the Paying Agent shall include any co-paying agent unless the context requires otherwise.

Section 5.10 Ownership of Common Securities by Depositor. On the Issue Date, the Depositor shall acquire, and thereafter retain, beneficial and record ownership of the Common Securities. Any attempted transfer of the Common Securities, except for transfers by operation of law, shall be void. The Administrative Trustees shall cause each Common Securities Certificate issued to

the Depositor to contain a legend stating "THIS CERTIFICATE IS NOT TRANSFERABLE".

Section 5.11 Book-Entry Preferred Securities Certificates; Common Securities Certificate.

(a) The Preferred Securities Certificates, upon original issuance, will be issued in the form of a typewritten Preferred Securities Certificate or Certificates representing Book-Entry Preferred Securities Certificates, to be delivered to The Depository Trust Company, the initial Clearing Agency, by, or on behalf of, the Trust. Such Preferred Securities Certificate or Certificates shall initially be registered on the Securities Register in the name of Cede & Co., the nominee of the initial Clearing Agency, and no Owner will receive a definitive Preferred Securities Certificate representing such beneficial owner's interest in such Preferred Securities, except as provided in Section 5.13. Unless and until Definitive Preferred Securities Certificates have been issued to Owners pursuant to Section 5.13:

(i) the provisions of this Section 5.11(a) shall be in full force and effect;

(ii) the Securities Registrar and the Trustees shall be entitled to deal with the Clearing Agency for all purposes of this Trust Agreement relating to the Book-Entry Preferred Securities Certificates (including the payment of principal of and interest on the Book-Entry Preferred Securities and the giving of instructions or directions to Owners of Book-Entry Preferred Securities) as the sole Holder of Book-Entry Preferred Securities and shall have no obligations to the Owners thereof;

(iii) to the extent that the provisions of this Section conflict with any other provisions of this Trust Agreement, the provisions of this Section shall control; and

(iv) the rights of the Owners of the Book-Entry Preferred Securities Certificates shall be exercised only through the Clearing Agency and shall be limited to those established by law and agreements between such Owners and the Clearing Agency and/or the Clearing Agency Participants. Pursuant to the Certificate Depository Agreement, unless and until Definitive Preferred Securities Certificates are issued pursuant to Section 5.13, the Clearing Agency will make book-entry transfers among the Clearing Agency Participants and receive and transmit payments on the Preferred Securities to such Clearing Agency Participants.

(b) A single Common Securities Certificate representing the Common Securities shall be issued to the Depositor in the form of a definitive Common Securities Certificate.

Section 5.12 Notices to Clearing Agency. To the extent a notice or other communication to the Owners is required under this Trust Agreement, unless and until Definitive Preferred Securities Certificates shall have been issued to Owners pursuant to Section 5.13, the Trustees shall give all such notices and communications specified herein to be given to Owners to the Clearing Agency, and shall have no obligations to the Owners.

Section 5.13 Definitive Preferred Securities Certificates. If (i) the Depositor advises the Trustees in writing that the Clearing Agency is no longer willing or able to properly discharge its responsibilities with respect to the Preferred Securities Certificates, and the Depositor is unable to locate a qualified successor, or (ii) the Depositor at its option advises the Trustees in writing that it elects to terminate the book-entry system through the Clearing Agency, then the Administrative Trustees shall notify the Clearing Agency and Holders of the Preferred Securities. Upon surrender to the Administrative Trustees of the typewritten Preferred Securities Certificate or Certificates representing the Book-Entry Preferred Securities Certificates by the Clearing Agency, accompanied by registration instructions, the Administrative Trustees or any one of them shall execute and authenticate the Definitive Preferred Securities Certificates in accordance with the instructions of the Clearing Agency. Neither the Securities Registrar nor the Trustees shall be liable for any delay in delivery of such instructions and may conclusively rely on, and shall be protected in relying on, such instructions. Upon the issuance of Definitive Preferred Securities Certificates, the Trustees shall recognize the Holders of the Definitive Preferred Securities Certificates as Securityholders. The Definitive Preferred Securities Certificates shall be printed, lithographed or engraved or may be produced in any other manner as is reasonably acceptable to the Administrative Trustees, as evidenced by the execution thereof by the Administrative Trustees or any one of them.

Section 5.14 Rights of Securityholders. The legal title to the Trust Property is vested exclusively in the Property Trustee (in its capacity as such) in accordance with Section 2.09, and the Securityholders shall not have any right or title therein other than the beneficial ownership interest in the assets of the Trust conferred by their Trust Securities, and they shall have no right to call for any partition or division of property, profits or rights of the Trust except as described below. The Trust Securities shall be personal property giving only the rights specifically set forth therein and in this Trust Agreement. The Trust Securities shall have no preemptive or other similar rights

and when issued and delivered to Securityholders against payment of the purchase price therefor, except as otherwise provided in the Expense Agreement and Section 10.01 hereof, will be fully paid and nonassessable by the Trust. Except as otherwise provided in the Expense Agreement and Section 10.01 hereof, the Holders of the Trust Securities shall be entitled to the same limitation of personal liability extended to stockholders of private corporations for profit organized under the General Corporation Law of the State of Delaware.

ARTICLE VI

Acts of Securityholders; Meetings; Voting

Section 6.01 Limitations on Voting Rights.

(a) Except as provided in this Section, in Section 8.10 or Section 10.03 of this Trust Agreement, in the Subordinated Indenture, and as otherwise required by law, no Holder of Preferred Securities shall have any right to vote or in any manner otherwise control the administration, operation and management of the Trust or the obligations of the parties hereto, nor shall anything herein set forth, or contained in the terms of the Trust Securities Certificates, be construed so as to constitute the Securityholders from time to time as partners or members of an association.

(b) So long as any Junior Subordinated Notes are held by the Property Trustee, the Trustees shall not (i) direct the time, method and place of conducting any proceeding for any remedy available to the Indenture Trustee, or executing any trust or power conferred on the Indenture Trustee with respect to such Junior Subordinated Notes, (ii) waive any past default which is waivable under Section 513 of the Subordinated Indenture, (iii) exercise any right to rescind or annul a declaration that the principal of all the Junior Subordinated Notes shall be due and payable or (iv) consent to any amendment, modification or termination of the Subordinated Indenture or the Junior Subordinated Notes, where such consent shall be required, or to any other action, as holder of the Junior Subordinated Notes, under the Subordinated Indenture, without, in each case, obtaining the prior approval of the Holders of at least 66-2/3% in Liquidation Amount of the Preferred Securities; provided, however, that where a consent under the Subordinated Indenture would require the consent of each holder of Junior Subordinated Notes affected thereby, no such consent shall be given by the Trustees without the prior written consent of each Holder of Preferred Securities. The Trustees shall not revoke any action previously authorized or approved by a vote of the Holders of Preferred Securities, except pursuant to a subsequent vote of the Holders of

Preferred Securities. The Property Trustee shall notify all Holders of the Preferred Securities of any notice of default received from the Indenture Trustee with respect to the Junior Subordinated Notes. In addition to obtaining the foregoing approvals of the Holders of the Preferred Securities, prior to taking any of the foregoing actions, the Trustees shall, at the expense of the Depositor, obtain an Opinion of Counsel experienced in such matters to the effect that the Trust will not be classified as other than a grantor trust for United States federal income tax purposes on account of such action.

(c) If any proposed amendment to this Trust Agreement provides for, or the Trustees otherwise propose to effect, (i) any action that would adversely affect the powers, preferences or special rights of the Preferred Securities, whether by way of amendment to this Trust Agreement or otherwise, or (ii) the dissolution, winding-up or termination of the Trust, other than pursuant to the terms of this Trust Agreement, then the Holders of Outstanding Preferred Securities as a class will be entitled to vote on such amendment or proposal and such amendment or proposal shall not be effective except with the approval of the Holders of at least 66-2/3% in Liquidation Amount of the Outstanding Preferred Securities. In addition to obtaining the foregoing approvals of the Holders of the Preferred Securities, prior to taking any of the foregoing actions, the Trustees shall, at the expense of the Depositor, obtain an Opinion of Counsel experienced in such matters to the effect that the Trust will not be classified as other than a grantor trust for United States federal income tax purposes on account of such action.

Section 6.02 Notice of Meetings. Notice of all meetings of the Preferred Securityholders, stating the time, place and purpose of the meeting, shall be given by the Administrative Trustees pursuant to Section 10.08 to each Preferred Securityholder of record, at his registered address, at least 15 days and not more than 90 days before the meeting. At any such meeting, any business properly before the meeting may be so considered whether or not stated in the notice of the meeting. Any adjourned meeting may be held as adjourned without further notice.

Section 6.03 Meetings of Preferred Securityholders. No annual meeting of Securityholders is required to be held. The Administrative Trustees, however, shall call a meeting of Securityholders to vote on any matter upon the written request of the Preferred Securityholders of record of 25% of the Preferred Securities (based upon their Liquidation Amount) and the Administrative Trustees or the Property Trustee may, at any time in their discretion, call a meeting of Preferred Securityholders to vote on any matters as to which Preferred Securityholders are entitled to vote.

Preferred Securityholders of record of 50% of the Preferred Securities (based upon their Liquidation Amount), present in person or by proxy, shall constitute a quorum at any meeting of Securityholders.

If a quorum is present at a meeting, an affirmative vote by the Preferred Securityholders of record present, in person or by proxy, holding more than 66-2/3% of the Preferred Securities (based upon their Liquidation Amount) held by the Preferred Securityholders of record present, either in person or by proxy, at such meeting shall constitute the action of the Securityholders, unless this Trust Agreement requires a greater number of affirmative votes.

Section 6.04 Voting Rights. Securityholders shall be entitled to one vote for each $25 of Liquidation Amount represented by their Trust Securities in respect of any matter as to which such Securityholders are entitled to vote.

Section 6.05 Proxies, etc. At any meeting of Securityholders, any Securityholder entitled to vote may vote by proxy, provided that no proxy shall be voted at any meeting unless it shall have been placed on file with the Administrative Trustees, or with such other officer or agent of the Trust as the Administrative Trustees may direct, for verification prior to the time at which such vote shall be taken. Pursuant to a resolution of the Property Trustee, proxies may be solicited in the name of the Property Trustee or one or more officers of the Property Trustee. Only Securityholders of record shall be entitled to vote. When Trust Securities are held jointly by several Persons, any one of them may vote at any meeting in person or by proxy in respect of such Trust Securities, but if more than one of them shall be present at such meeting in person or by proxy, and such joint owners or their proxies so present disagree as to any vote to be cast, such vote shall not be received in respect of such Trust Securities. A proxy purporting to be executed by or on behalf of a Securityholder shall be deemed valid unless challenged at or prior to its exercise, and the burden of proving invalidity shall rest on the challenger. No proxy shall be valid more than three years after its date of execution.

Section 6.06 Securityholder Action by Written Consent. Any action which may be taken by Securityholders at a meeting may be taken without a meeting if Securityholders holding at least 66-2/3% of all outstanding Trust Securities entitled to vote in respect of such action (or such other proportion thereof as shall be required by any express provision of this Trust Agreement) shall consent to the action in writing (based upon their Liquidation Amount).

Section 6.07 Record Date for Voting and Other Purposes. For the purposes of determining the Securityholders who are entitled to notice of and to vote at any meeting or by written consent, or to participate in any Distribution on the Trust Securities in respect of which a record date is not otherwise provided for in this Trust Agreement, or for the purpose of any other action, the Administrative Trustees may from time to time fix a date, not more than 90 days prior to the date of any meeting of Securityholders or the payment of Distribution or other action, as the case may be, as a record date for the determination of the identity of the Securityholders of record for such purposes.

Section 6.08 Acts of Securityholders. Any request, demand, authorization, direction, notice, consent, waiver or other action provided or permitted by this Trust Agreement to be given, made or taken by Securityholders may be embodied in and evidenced by one or more instruments of substantially similar tenor signed by such Securityholders in person or by an agent appointed in writing; and, except as otherwise expressly provided herein, such action shall become effective when such instrument or instruments are delivered to the Administrative Trustees. Such instrument or instruments (and the action embodied therein and evidenced thereby) are herein sometimes referred to as the "Act" of the Securityholders signing such instrument or instruments. Proof of execution of any such instrument or of a writing appointing any such agent shall be sufficient for any purpose of this Trust Agreement and (subject to Section 8.01) conclusive in favor of the Trustees, if made in the manner provided in this Section.

The fact and date of the execution by any Person of any such instrument or writing may be proved by the affidavit of a witness of such execution or by a certificate of a notary public or other officer authorized by law to take acknowledgments of deeds, certifying that the individual signing such instrument or writing acknowledged to him the execution thereof. Where such execution is by a signer acting in a capacity other than his individual capacity, such certificate or affidavit shall also constitute sufficient proof of his authority. The fact and date of the execution of any such instrument or writing, or the authority of the Person executing the same, may also be proved in any other manner which the Trustees deem sufficient.

The ownership of Preferred Securities shall be proved by the Securities Register.

Any request, demand, authorization, direction, notice, consent, waiver or other Act of the Securityholder of any Trust Security shall bind every future Securityholder of the same Trust Security and the Securityholder of every Trust Security issued upon the registration of transfer thereof or in exchange therefor or in lieu thereof in respect of anything done, omitted or

suffered to be done by the Trustees or the Trust in reliance thereon, whether or not notation of such action is made upon such Trust Security.

Without limiting the foregoing, a Securityholder entitled hereunder to take any action hereunder with regard to any particular Trust Security may do so with regard to all or any part of the Liquidation Amount of such Trust Security or by one or more duly appointed agents each of which may do so pursuant to such appointment with regard to all or any part of such Liquidation Amount.

If any dispute shall arise between the Securityholders of Trust Securities and the Administrative Trustees or among such Securityholders or Trustees with respect to the authenticity, validity or binding nature of any request, demand, authorization, direction, consent, waiver or other Act of such Securityholder or Trustee under this Article VI, then the determination of such matter by the Property Trustee shall be conclusive with respect to such matter.

Section 6.09 Inspection of Records. Upon reasonable notice to the Trustees, the records of the Trust shall be open to inspection by Securityholders during normal business hours for any purpose reasonably related to such Securityholder's interest as a Securityholder.

ARTICLE VII

Representations and Warranties of the Trustees

Section 7.01 Representations and Warranties of the Trustees. The Bank, the Delaware Bank, the Property Trustee and the Delaware Trustee, each on behalf of and as to itself, hereby represents and warrants for the benefit of the Depositor and the Securityholders that:

(a) the Bank is a banking corporation or trust company duly organized, validly existing and in good standing under the laws of the State of New York, and the Delaware Trustee is a banking corporation or trust company duly organized, validly existing and in good standing under the laws of the State of Delaware;

(b) each of the Bank and the Delaware Bank has full corporate power, authority and legal right to execute, deliver and perform their obligations under this Trust Agreement and has taken all necessary action to authorize the execution, delivery and performance by it of this Trust Agreement;

(c) this Trust Agreement has been duly authorized, executed and delivered by each of the Bank and the Delaware Bank and constitutes the valid and legally binding agreement of each of the Bank and the Delaware Bank, enforceable against it in accordance with its terms, subject to bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium and similar laws of general applicability relating to or affecting creditors' rights and to general equity principles;

(d) the execution, delivery and performance by each of the Bank and the Delaware Bank of this Trust Agreement have been duly authorized by all necessary corporate action on the part of the Bank, the Property Trustee, the Delaware Bank and the Delaware Trustee and do not require any approval of stockholders of the Bank or the Delaware Bank and such execution, delivery and performance will not (i) violate the Bank's or the Delaware Bank's Charter or By-laws, or (ii) violate any law, governmental rule or regulation of the United States or the State of New York or Delaware, as the case may be, governing the banking or trust powers of the Bank and the Property Trustee or the Delaware Bank and the Delaware Trustee, or any order, judgment or decree applicable to the Bank, the Property Trustee, the Delaware Bank or the Delaware Trustee; and

(e) neither the authorization, execution or delivery by the Bank or the Delaware Bank of this Trust Agreement, nor the consummation of any of the transactions by the Bank, the Property Trustee, the Delaware Bank or the Delaware Trustee (as appropriate in context) contemplated herein or therein, nor the issuance of the Trust Securities Certificates pursuant to this Trust Agreement require the consent or approval of, the giving of notice to, the registration with or the taking of any other action with respect to any governmental authority or agency under any existing federal, New York or Delaware law governing the banking or trust powers of the Bank or the Delaware Bank.

ARTICLE VIII

The Trustees

Section 8.01 Certain Duties and Responsibilities.

(a) The rights, duties and responsibilities of the Trustees shall be as provided by this Trust Agreement and, in the case of the Property Trustee, the Trust Indenture Act. Notwithstanding the foregoing, no provision of this Trust Agreement shall require the Trustees to expend or risk their own funds or otherwise incur any financial liability in the performance of any of their duties hereunder, or in the exercise of any of their rights or powers, if they shall have reasonable grounds for believing that repayment of

such funds or adequate indemnity against such risk or liability is not reasonably assured to them. Whether or not therein expressly so provided, every provision of this Trust Agreement relating to the conduct or affecting the liability of or affording protection to the Trustees shall be subject to the provisions of this Section.

(b) All payments made by the Property Trustee in respect of the Trust Securities shall be made only from the income and proceeds from the Trust Property and only to the extent that there shall be sufficient income or proceeds from the Trust Property to enable the Property Trustee to make payments in accordance with the terms hereof. Each Securityholder, by its acceptance of a Trust Security, agrees that it will look solely to the income and proceeds from the Trust Property to the extent available for distribution to it as herein provided and that the Trustees are not personally liable to it for any amount distributable in respect of any Trust Security or for any other liability in respect of any Trust Security. This Section 8.01(b) does not limit the liability of the Trustees expressly set forth elsewhere in this Trust Agreement or, in the case of the Property Trustee, in the Trust Indenture Act.

Section 8.02 Notice of Defaults. Within 90 days after the occurrence of any default, the Property Trustee shall transmit, in the manner and to the extent provided in Section 10.08, notice of any default known to the Property Trustee to the Securityholders, the Administrative Trustees and the Depositor, unless such default shall have been cured or waived. For the purpose of this Section, the term "default" means any event which is, or after notice or lapse of time or both would become, an Event of Default.

Section 8.03 Certain Rights of Property Trustee. Subject to the provisions of Section 8.01 and except as provided by law:

(i) the Property Trustee may rely and shall be protected in acting or refraining from acting in good faith upon any resolution, Opinion of Counsel, certificate, written representation of a Holder or transferee, certificate of auditors or any other certificate, statement, instrument, opinion, report, notice, request, consent, order, appraisal, bond or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties;

(ii) if (A) in performing its duties under this Trust Agreement the Property Trustee is required to decide between alternative courses of action, or (B) in construing any of the provisions in this Trust Agreement the Property Trustee finds the same ambiguous or inconsistent with any other provisions contained

herein, or (C) the Property Trustee is unsure of the application of any provision of this Trust Agreement, then, except as to any matter as to which the Preferred Securityholders are entitled to vote under the terms of this Trust Agreement, the Property Trustee shall deliver a notice to the Depositor requesting written instructions of the Depositor as to the course of action to be taken. The Property Trustee shall take such action, or refrain from taking such action, as the Property Trustee shall be instructed in writing to take, or to refrain from taking, by the Depositor; provided, however, that if the Property Trustee does not receive such instructions of the Depositor within ten Business Days after it has delivered such notice, or such reasonably shorter period of time set forth in such notice (which to the extent practicable shall not be less than two Business Days), it may, but shall be under no duty to, take or refrain from taking such action not inconsistent with this Trust Agreement as it shall deem advisable and in the best interests of the Securityholders, in which event the Property Trustee shall have no liability except for its own bad faith, negligence or willful misconduct;

(iii) the Property Trustee may consult with counsel of its selection and the written advice of such counsel or any Opinion of Counsel shall be full and complete authorization and protection in respect of any action taken, suffered or omitted by it hereunder in good faith and in reliance thereon;

(iv) the Property Trustee shall be under no obligation to exercise any of the rights or powers vested in it by this Trust Agreement at the request or direction of any of the Securityholders pursuant to this Trust Agreement, unless such Securityholders shall have offered to the Property Trustee reasonable security or indemnity against the costs, expenses and liabilities which might be incurred by it in compliance with such request or direction;

(v) the Property Trustee shall not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, consent, order, approval, bond or other document, unless requested in writing to do so by one or more Securityholders; and

(vi) the Property Trustee may execute any of the trusts or powers hereunder or perform any duties hereunder either directly or by or through its agents or attorneys,

provided that the Property Trustee shall be responsible for its own negligence or recklessness with respect to selection of any agent or attorney appointed by it hereunder.

Section 8.04 Not Responsible for Recitals or Issuance of Securities. The recitals contained herein and in the Trust Securities Certificates shall be taken as the statements of the Trust, and the Trustees do not assume any responsibility for their correctness. The Trustees shall not be accountable for the use or application by the Trust of the proceeds of the Trust Securities in accordance with Section 2.05.

The Property Trustee may conclusively assume that any funds held by it hereunder are legally available unless an officer of the Property Trustee assigned to its Corporate Trustee Administrative Department shall have received written notice from the Company, any Holder or any other Trustee that such funds are not legally available.

Section 8.05 May Hold Securities. Except as provided in the definition of the term "Outstanding" in Article I, any Trustee or any other agent of the Trustees or the Trust, in its individual or any other capacity, may become the owner or pledgee of Trust Securities and may otherwise deal with the Trust with the same rights it would have if it were not a Trustee or such other agent.

Section 8.06 Compensation; Fees; Indemnity.

The Depositor agrees:

(1) to pay to the Trustees from time to time reasonable compensation for all services rendered by the Trustees hereunder (which compensation shall not be limited by any provision of law in regard to the compensation of a trustee of an express trust);

(2) except as otherwise expressly provided herein, to reimburse the Trustees upon request for all reasonable expenses, disbursements and advances incurred or made by the Trustees in accordance with any provision of this Trust Agreement (including the reasonable compensation and the expenses and disbursements of their agents and counsel), except any such expense, disbursement or advance as may be attributable to their willful misconduct, negligence or bad faith; and

(3) to indemnify the Trustees for, and to hold the Trustees harmless against, any and all loss, damage, claims, liability or expense incurred without willful misconduct, negligence or bad faith on their part, arising out of or in connection with the acceptance or administration of this Trust Agreement, including the costs and expenses of defending themselves against any claim

or liability in connection with the exercise or performance of any of their powers or duties hereunder.

The provisions of this Section 8.06 shall survive the termination of this Trust Agreement.

Section 8.07 Trustees Required; Eligibility.

(a) There shall at all times be a Property Trustee hereunder with respect to the Trust Securities. The Property Trustee shall be a Person that has a combined capital and surplus of at least $50,000,000. If any such Person publishes reports of condition at least annually, pursuant to law or to the requirements of its supervising or examining authority, then for the purposes of this Section, the combined capital and surplus of such Person shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. If at any time the Property Trustee with respect to the Trust Securities shall cease to be eligible in accordance with the provisions of this Section, it shall resign immediately in the manner and with the effect hereinafter specified in this Article.

(b) There shall at all times be one or more Administrative Trustees hereunder with respect to the Trust Securities. Each Administrative Trustee shall be either a natural person who is at least 21 years of age or a legal entity that shall act through one or more persons authorized to bind such entity.

(c) There shall at all times be a Delaware Trustee with respect to the Trust Securities. The Delaware Trustee shall either be (i) a natural person who is at least 21 years of age and a resident of the State of Delaware or (ii) a legal entity authorized to conduct a trust business and with its principal place of business in the State of Delaware that shall act through one or more persons authorized to bind such entity.

Section 8.08 Conflicting Interests.

If the Property Trustee has or shall acquire a conflicting interest within the meaning of the Trust Indenture Act, the Property Trustee shall either eliminate such interest or resign, to the extent and in the manner provided by, and subject to the provisions of, the Trust Indenture Act and this Trust Agreement. To the extent permitted by the Trust Indenture Act, the Property Trustee shall not be deemed to have a conflicting interest by virtue of being trustee under the Guarantee.

Section 8.09 Co-Trustees and Separate Trustee.

At any time or times, for the purpose of meeting the legal requirements of the Trust Indenture Act or of any jurisdiction in

which any part of the Trust Property may at the time be located, the Holder of the Common Securities and the Property Trustee shall have power to appoint, and upon the written request of the Property Trustee, the Depositor shall for such purpose join with the Property Trustee in the execution, delivery and performance of all instruments and agreements necessary or proper to appoint, one or more Persons approved by the Property Trustee either to act as co-trustee, jointly with the Property Trustee, of all or any part of such Trust Property, or to act as separate trustee of any such Trust Property, in either case with such powers as may be provided in the instrument of appointment, and to vest in such Person or Persons in the capacity aforesaid, any property, title, right or power deemed necessary or desirable, subject to the other provisions of this Section. If the Depositor does not join in such appointment within 15 days after the receipt by it of a request so to do, or in case an Indenture Event of Default has occurred and is continuing, the Property Trustee alone shall have power to make such appointment. Any co-trustee or separate trustee appointed pursuant to this Section shall satisfy the requirements of Section 8.07.

Should any written instrument from the Depositor be required by any co-trustee or separate trustee so appointed for more fully confirming to such co-trustee or separate trustee such property, title, right, or power, any and all such instruments shall, on request, be executed, acknowledged, and delivered by the Depositor.

Every co-trustee or separate trustee shall, to the extent permitted by law, but to such extent only, be appointed subject to the following terms, namely:

(i) The Trust Securities shall be executed, authenticated and delivered and all rights, powers, duties, and obligations hereunder in respect of the custody of securities, cash and other personal property held by, or required to be deposited or pledged with, the Trustees hereunder, shall be exercised, solely by the Trustees.

(ii) The rights, powers, duties, and obligations hereby conferred or imposed upon the Property Trustee in respect of any property covered by such appointment shall be conferred or imposed upon and exercised or performed by the Property Trustee or by the Property Trustee and such co-trustee or separate trustee jointly, as shall be provided in the instrument appointing such co-trustee or separate trustee, except to the extent that under any law of any jurisdiction in which any particular act is to be performed, the Property Trustee shall be incompetent or unqualified to perform such act, in which event such rights, powers, duties,

and obligations shall be exercised and performed by such co-trustee or separate trustee.

(iii) The Property Trustee at any time, by an instrument in writing executed by it, with the written concurrence of the Depositor, may accept the resignation of or remove any co-trustee or separate trustee appointed under this Section, and, in case an Indenture Event of Default has occurred and is continuing, the Property Trustee shall have power to accept the resignation of, or remove, any such co-trustee or separate trustee without the concurrence of the Depositor. Upon the written request of the Property Trustee, the Depositor shall join with the Property Trustee in the execution, delivery, and performance of all instruments and agreements necessary or proper to effectuate such resignation or removal. A successor to any co-trustee or separate trustee so resigned or removed may be appointed in the manner provided in this Section.

(iv) No co-trustee or separate trustee hereunder shall be personally liable by reason of any act or omission of the Property Trustee, or any other such trustee hereunder.

(v) The Trustees shall not be liable by reason of any act of a co-trustee or separate trustee.

(vi) Any Act of Holders delivered to the Property Trustee shall be deemed to have been delivered to each such co-trustee and separate trustee.

Section 8.10 Resignation and Removal; Appointment of Successor. No resignation or removal of any Trustee (the "Relevant Trustee") and no appointment of a successor Relevant Trustee pursuant to this Article shall become effective until the acceptance of appointment by the successor Relevant Trustee in accordance with the applicable requirements of Section 8.11.

The Relevant Trustee may resign at any time by giving written notice thereof to the Securityholders. If the instrument of acceptance by a successor Relevant Trustee required by Section 8.11 shall not have been delivered to the Relevant Trustee within 30 days after the giving of such notice of resignation, the resigning Relevant Trustee may petition any court of competent jurisdiction for the appointment of a successor Relevant Trustee.

Unless an Indenture Event of Default shall have occurred and be continuing, the Relevant Trustee may be removed at any time by Act of the Holder of the Common Securities. If an Indenture Event of Default shall have occurred and be continuing, the Relevant Trustee may be removed at such time by Act of the Securityholders of a majority in Liquidation Amount of the Preferred Securities

Certificates, delivered to the Relevant Trustee (in its individual capacity and on behalf of the Trust).

If the Relevant Trustee shall resign, be removed or become incapable of continuing to act as Trustee at a time when no Indenture Event of Default shall have occurred and be continuing, the Holder of the Common Securities, by Act of the Holder of the Common Securities delivered to the retiring Relevant Trustee, shall promptly appoint a successor Relevant Trustee or Trustees, and the retiring Relevant Trustee shall comply with the applicable requirements of Section 8.11. If the Relevant Trustee shall resign, be removed or become incapable of continuing to act as the Relevant Trustee at a time when an Indenture Event of Default shall have occurred and be continuing, the Holders of Preferred Securities, by Act of the Securityholders of a majority in Liquidation Amount of the Preferred Securities then outstanding delivered to the retiring Relevant Trustee, shall promptly appoint a successor Relevant Trustee or Trustees, and the Relevant Trustee shall comply with the applicable requirements of Section 8.11. If no successor Relevant Trustee shall have been so appointed in accordance with this Section 8.10 and accepted appointment in the manner required by Section 8.11, any Securityholder who has been a Securityholder of Trust Securities for at least six months may, on behalf of himself and all others similarly situated, petition any court of competent jurisdiction for the appointment of a successor Relevant Trustee.

The retiring Relevant Trustee shall give notice of each resignation and each removal of the Relevant Trustee, and each appointment of a successor Trustee to all Securityholders in the manner provided in Section 10.08 and shall give notice to the Depositor. Each notice shall include the name of the successor Relevant Trustee and the address of its Corporate Trust Office if it is the Property Trustee.

Notwithstanding the foregoing or any other provision of this Trust Agreement, in the event any Administrative Trustee or a Delaware Trustee who is a natural person dies or becomes incompetent or incapacitated, the vacancy created by such death, incompetence or incapacity may be filled by (i) the act of the remaining Administrative Trustee or (ii) otherwise by the Depositor (with the successor in each case being an individual who satisfies the eligibility requirement for Administrative Trustees set forth in Section 8.07). Additionally, notwithstanding the foregoing or any other provision of this Trust Agreement, in the event the Depositor believes that any Administrative Trustee has become incompetent or incapacitated, the Depositor, by notice to the remaining Trustees, may terminate the status of such Person as an Administrative Trustee (in which case the vacancy so created will be filled in accordance with the preceding sentence).

Section 8.11 Acceptance of Appointment by Successor. In case of the appointment hereunder of a successor Relevant Trustee, every such successor Relevant Trustee so appointed shall execute, acknowledge and deliver to the Trust and to the retiring Relevant Trustee an instrument accepting such appointment, and thereupon the resignation or removal of the retiring Relevant Trustee shall become effective and such successor Relevant Trustee, without any further act, deed or conveyance, shall become vested with all the rights, powers, trusts and duties of the retiring Relevant Trustee; but, on the request of the Depositor or the successor Relevant Trustee, such retiring Relevant Trustee shall, upon payment of its charges, execute and deliver an instrument transferring to such successor Relevant Trustee all the rights, powers and trusts of the retiring Relevant Trustee and shall duly assign, transfer and deliver to such successor Relevant Trustee all property and money held by such retiring Relevant Trustee hereunder.

Upon request of any such successor Relevant Trustee, the Trust shall execute any and all instruments for more fully and certainly vesting in and confirming to such successor Relevant Trustee all such rights, powers and trusts referred to in the preceding paragraph.

No successor Relevant Trustee shall accept its appointment unless at the time of such acceptance such successor Relevant Trustee shall be qualified and eligible under this Article.

Section 8.12 Merger, Conversion, Consolidation or Succession to Business. Any Person into which the Property Trustee, Delaware Trustee or any Administrative Trustee which is not a natural person may be merged or converted or with which it may be consolidated, or any Person resulting from any merger, conversion or consolidation to which such Relevant Trustee shall be a party, or any Person succeeding to all or substantially all the corporate trust business of such Relevant Trustee, shall be the successor of such Relevant Trustee hereunder, provided such Person shall be otherwise qualified and eligible under this Article, without the execution or filing of any paper or any further act on the part of any of the parties hereto.

Section 8.13 Preferential Collection of Claims Against Depositor or Trust. If and when the Property Trustee shall be or become a creditor of the Depositor or the Trust (or any other obligor upon the Junior Subordinated Notes or the Trust Securities), the Property Trustee shall be subject to the provisions of the Trust Indenture Act regarding the collection of claims against the Depositor or Trust (or any such other obligor). For purposes of Section 311(b)(4) and (6) of the Trust Indenture Act:

(a) "cash transaction" means any transaction in which full payment for goods or securities sold is made within seven days after delivery of the goods or securities in currency or in checks or other orders drawn upon banks or bankers and payable upon demand; and

(b) "self-liquidating paper" means any draft, bill of exchange, acceptance or obligation which is made, drawn, negotiated or incurred by the Depositor or the Trust (or any such obligor) for the purpose of financing the purchase, processing, manufacturing, shipment, storage or sale of goods, wares or merchandise and which is secured by documents evidencing title to, possession of, or a lien upon, the goods, wares or merchandise or the receivables or proceeds arising from the sale of the goods, wares or merchandise previously constituting the security, provided the security is received by the Property Trustee simultaneously with the creation of the creditor relationship with the Depositor or the Trust (or any such obligor) arising from the making, drawing, negotiating or incurring of the draft, bill of exchange, acceptance or obligation.

Section 8.14 Reports by Property Trustee.

(a) Within 60 days after May 15 of each year commencing with May 15, 1997, if required by Section 313(a) of the Trust Indenture Act, the Property Trustee shall transmit a brief report dated as of such May 15 with respect to any of the events specified in such Section 313(a) that may have occurred since the later of the date of this Trust Agreement or the preceding May 15.

(b) The Property Trustee shall transmit to Securityholders the reports required by Section 313(b) of the Trust Indenture Act at the times specified therein.

(c) Reports pursuant to this Section shall be transmitted in the manner and to the Persons required by Sections 313(c) and (d) of the Trust Indenture Act.

Section 8.15 Reports to the Property Trustee. The Depositor and the Administrative Trustees on behalf of the Trust shall provide to the Property Trustee such documents, reports and information as required by Section 314 of the Trust Indenture Act (if any) and, within 120 days after the end of each fiscal year of the Depositor, the compliance certificate required by Section 314(a)(4) of the Trust Indenture Act in the form and in the manner required by Section 314 of the Trust Indenture Act.

Section 8.16 Evidence of Compliance with Conditions Precedent. Each of the Depositor and the Administrative Trustees on behalf of the Trust shall provide to the Property Trustee such evidence of compliance with any conditions precedent, if any,

provided for in this Trust Agreement that relate to any of the matters set forth in Section 314(c) of the Trust Indenture Act Any certificate or opinion required to be given pursuant to Section 314(c)(1) of the Trust Indenture Act shall comply with Section 314(e) of the Trust Indenture Act.

Section 8.17 Number of Trustees.

(a) The number of Trustees shall initially be four, provided that the Depositor by written instrument may increase or decrease the number of Administrative Trustees.

(b) If a Trustee ceases to hold office for any reason and the number of Administrative Trustees is not reduced pursuant to Section 8.17(a), or if the number of Trustees is increased pursuant to Section 8.17(a), a vacancy shall occur. The vacancy shall be filled with a Trustee appointed in accordance with Section 8.10.

(c) The death, resignation, retirement, removal, bankruptcy, incompetence or incapacity to perform the duties of a Trustee shall not operate to annul the Trust. Whenever a vacancy in the number of Administrative Trustees shall occur, until such vacancy is filled by the appointment of an Administrative Trustee in accordance with Section 8.10, the Administrative Trustees in office, regardless of their number (and notwithstanding any other provision of this Trust Agreement), shall have all powers granted to the Administrative Trustees and shall discharge the duties imposed upon the Administrative Trustees by this Trust Agreement.

Section 8.18 Delegation of Power.

(a) Any Administrative Trustee may, by power of attorney consistent with applicable law, delegate to any other natural person over the age of 21 his or her power for the purpose of executing any documents contemplated in Section 2.07(A), including any registration statement or amendment thereto filed with the Commission, or making any other governmental filing; and

(b) The Administrative Trustees shall have power to delegate from time to time to such of their number the doing of such things and the execution of such instruments either in the name of the Trust or the names of the Administrative Trustees or otherwise as the Administrative Trustees may deem expedient, to the extent such delegation is not prohibited by applicable law or contrary to the provisions of the Trust, as set forth herein.

Section 8.19 Enforcement of Rights of Property Trustee by Securityholders. If (i) the Trust fails to pay Distributions in full on the Preferred Securities for more than 20 consecutive quarterly distribution periods, or (ii) an Event of Default occurs

and is continuing, then the Holders of Preferred Securities will rely on the enforcement by the Property Trustee of its rights against the Company as the holder of the Junior Subordinated Notes. In addition, the Holders of a majority in aggregate Liquidation Amount of the Preferred Securities will have the right to direct the time, method, and place of conducting any proceeding for any remedy available to the Property Trustee or to direct the exercise of any trust or power conferred upon the Property Trustee under this Trust Agreement, including the right to direct the Property Trustee to exercise the remedies available to it as a holder of the Junior Subordinated Notes, provided that such direction shall not be in conflict with any rule of law or with this Trust Agreement, and could not involve the Property Trustee in personal liability in circumstances where reasonable indemnity would not be adequate. If the Property Trustee fails to enforce its rights under the Junior Subordinated Notes, a Holder of Preferred Securities may, to the fullest extent permitted by applicable law, institute a legal proceeding against the Company to enforce its rights under this Trust Agreement without first instituting any legal proceeding against the Property Trustee or any other Person, including the Trust; it being understood and intended that no one or more of such Holders shall have any right in any manner whatsoever by virtue of, or by availing of, any provision of this Trust Agreement to affect, disturb or prejudice the rights of any other of such Holders or to obtain or to seek to obtain priority or preference over any other of such Holders or to enforce any right under this Trust Agreement, except in the manner herein provided and for the equal and ratable benefit of all such Holders. Notwithstanding the foregoing, a Holder of Preferred Securities may institute a legal proceeding directly against the Company, without first instituting a legal proceeding against or requesting or directing that action be taken by the Property Trustee or any other Person, for enforcement of payment to such Holder of principal of or interest on the Series A Junior Subordinated Notes having a principal amount equal to the aggregate stated liquidation amount of the Preferred Securities of such Holder on or after the due dates therefor specified or provided for in the Series A Junior Subordinated Notes. The Company shall be subrogated to all rights of the Holders of Preferred Securities in respect of any amounts paid to such Holders by the Company pursuant to this Section.

ARTICLE IX

Termination and Liquidation

Section 9.01 Termination Upon Expiration Date. The Trust shall automatically terminate on December 31, 2042 (the "Expiration Date") or earlier pursuant to Section 9.02.

Section 9.02 Early Termination. Upon the first to occur of any of the following events (such first occurrence, an "Early Termination Event"), the Trust shall be dissolved and terminated in accordance with the terms hereof:

(i) the occurrence of a Bankruptcy Event in respect of the Depositor, dissolution or liquidation of the Depositor, or the dissolution of the Trust pursuant to judicial decree;

(ii) the delivery of written direction to the Property Trustee by the Depositor at any time (which direction is optional and wholly within the discretion of the Depositor) to terminate the Trust and distribute the Junior Subordinated Notes to Securityholders as provided in Section 9.04; and

(iii) the payment at maturity or redemption of all of the Junior Subordinated Notes, and the consequent payment of the Preferred Securities.

Section 9.03 Termination. The respective obligations and responsibilities of the Trust and the Trustees created hereby shall terminate upon the latest to occur of the following: (a) the distribution by the Property Trustee to Securityholders upon the liquidation of the Trust pursuant to Section 9.04, or upon the redemption of all of the Trust Securities pursuant to Section 4.02, of all amounts or instruments required to be distributed hereunder upon the final payment of the Trust Securities; (b) the payment of any expenses owed by the Trust; and (c) the discharge of all administrative duties of the Administrative Trustees, including the performance of any tax reporting obligations with respect to the Trust or the Securityholders.

Section 9.04 Liquidation.

(a) If any Early Termination Event specified in clause (ii) of Section 9.02 occurs, the Trust shall be liquidated and the Property Trustee shall distribute the Junior Subordinated Notes to the Securityholders as provided in this Section 9.04.

(b) In connection with a distribution of the Junior Subordinated Notes, each Holder of Trust Securities shall be entitled to receive, after the satisfaction of liabilities to creditors of the Trust (as evidenced by a certificate of the Administrative Trustees), a Like Amount of Junior Subordinated Notes. Notice of liquidation shall be given by the Trustees by first-class mail, postage prepaid, mailed not later than 30 nor more than 60 days prior to the Liquidation Date to each Holder of Trust Securities at such Holder's address appearing in the Securities Register. All notices of liquidation shall:

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(i) state the Liquidation Date;

(ii) state that from and after the Liquidation Date, the Trust Securities will no longer be deemed to be Outstanding and any Trust Securities Certificates not surrendered for exchange will be deemed to represent a Like Amount of Junior Subordinated Notes; and

(iii) provide such information with respect to the mechanics by which Holders may exchange Trust Securities Certificates for Junior Subordinated Notes as the Administrative Trustees or the Property Trustee shall deem appropriate.

(c) In order to effect the liquidation of the Trust and distribution of the Junior Subordinated Notes to Securityholders, the Property Trustee shall establish a record date for such distribution (which shall be not more than 45 days prior to the Liquidation Date) and, either itself acting as exchange agent or through the appointment of a separate exchange agent, shall establish such procedures as it shall deem appropriate to effect the distribution of Junior Subordinated Notes in exchange for the Outstanding Trust Securities Certificates.

(d) After the Liquidation Date, (i) the Trust Securities will no longer be deemed to be Outstanding, (ii) certificates representing a Like Amount of Junior Subordinated Notes will be issued to Holders of Trust Securities Certificates, upon surrender of such certificates to the Administrative Trustees or their agent for exchange, (iii) any Trust Securities Certificates not so surrendered for exchange will be deemed to represent a Like Amount of Junior Subordinated Notes, accruing interest at the rate provided for in the Junior Subordinated Notes from the last Distribution Date on which a Distribution was made on such Trust Certificates until such certificates are so surrendered (and until such certificates are so surrendered, no payments of interest or principal will be made to Holders of Trust Securities Certificates with respect to such Junior Subordinated Notes) and (iv) all rights of Securityholders holding Trust Securities will cease, except the right of such Securityholders to receive Junior Subordinated Notes upon surrender of Trust Securities Certificates.

(e) The Depositor will use its best efforts to have the Junior Subordinated Notes that are distributed in exchange for the Preferred Securities to be listed on such securities exchange as the Preferred Securities are then listed. The Depositor may elect to have the Junior Subordinated Notes issued in book-entry form to the Clearing Agency or its nominee pursuant to a Certificate Depository Agreement substantially in the form of Exhibit B.

Section 9.05 Bankruptcy. If an Early Termination Event specified in clause (i) of Section 9.02 has occurred, the Trust shall be liquidated. The Property Trustee shall distribute the Junior Subordinated Notes to the Securityholders as provided in Section 9.04, unless such distribution is determined by the Administrative Trustees not to be practical, in which event the Holders will be entitled to receive out of the assets of the Trust available for distribution to Securityholders, after satisfaction of liabilities to creditors, an amount equal to the Liquidation Amount per Trust Security plus accrued and unpaid Distributions thereon to the date of payment (such amount being the "Liquidation Distribution"). If such Liquidation Distribution can be paid only in part because the Trust has insufficient assets available to pay in full the aggregate Liquidation Distribution, then, subject to the next succeeding sentence, the amounts payable by the Trust on the Trust Securities shall be paid on a pro rata basis (based upon Liquidation Amounts). The Holder of the Common Securities will be entitled to receive Liquidation Distributions upon any such dissolution, winding-up or termination pro rata (de ermined as aforesaid) with Holders of Preferred Securities, except that, if an Indenture Event of Default has occurred and is continuing, the Preferred Securities shall have a priority over the Common Securities.

ARTICLE X

Miscellaneous Provisions

Section 10.01 Guarantee by the Depositor. Subject to the terms and conditions hereof, the Depositor irrevocably and unconditionally guarantees to each Person to whom the Trust is now or hereafter becomes indebted or liable (the "Beneficiaries") the full payment, when and as due, of any and all Obligations (as hereinafter defined) to such Beneficiaries. As used herein, "Obligations' means any indebtedness, expenses or liabilities of the Trust, other than obligations of the Trust to pay to Holders of any Preferred Securities or other similar interests in the Trust the amounts due such Holders pursuant to the terms of the Preferred Securities or such other similar interests, as the case may be. This guarantee is intended to be for the benefit of, and to be enforceable by, all such Beneficiaries, whether or not such Beneficiaries have received notice hereof.

Section 10.02 Limitation of Rights of Securityholders. The death or incapacity of any Person having an interest, beneficial or otherwise, in a Trust Security shall not operate to terminate this Trust Agreement, nor entitle the legal representatives or heirs of such Person or any Securityholder for such Person, to claim an accounting, take any action or bring any proceeding in

and for a partition or winding up of the arrangements contemplated hereby, nor otherwise affect the rights, obligations and liabilities of the parties hereto or any of them.

Section 10.03 Amendment.

(a) This Trust Agreement may be amended from time to time by the Trustees and the Depositor, without the consent of any Securityholders, (i) to cure any ambiguity, correct or supplement any provision herein which may be inconsistent with any other provision herein, or to make any other provisions with respect to matters or questions arising under this Trust Agreement, which shall not be inconsistent with the other provisions of this Trust Agreement, provided, however, that any such amendment shall not adversely affect in any material respect the interests of any Securityholder or (ii) to modify, eliminate or add to any provisions of this Trust Agreement to such extent as shall be necessary to ensure that the Trust will not be classified as other than a grantor trust for United States federal income tax purposes at any time that any Trust Securities are outstanding; provided, however, that, except in the case of clause (ii), such action shall not adversely affect in any material respect the interests of any Securityholder and, in the case of clause (i), any amendments of this Trust Agreement shall become effective when notice thereof is given to the Securityholders.

(b) Except as provided in Section 10.03(c) hereof, any provision in this Trust Agreement may be amended by the Trust or the Trustees with (i) the consent of Trust Securityholders representing not less than 66-2/3% (based upon Liquidation Amounts) of the Trust Securities then Outstanding and (ii) receipt by the Trustees of an Opinion of Counsel to the effect that such amendment or the exercise of any power granted to the Trustees in accordance with such amendment will not affect the Trust's status as a grantor trust for United States federal income tax purposes or the Trust's exemption from status of an "investment company" under the Investment Company Act of 1940, as amended.

(c) In addition to and notwithstanding any other provision in this Trust Agreement, without the consent of each affected Securityholder (such consent being obtained in accordance with Section 6.03 or 6.06 hereof), this Trust Agreement may not be amended to (i) change the amount or timing of any Distribution on the Trust Securities or otherwise adversely affect the amount of any Distribution required to be made in respect of the Trust Securities as of a specified date, (ii) restrict the right of a Securityholder to institute suit for the enforcement of any such payment on or after such date, or (iii) change the consent required pursuant to Section 10.03.

(d) Notwithstanding any other provisions of this Trust Agreement, the Trustees shall not enter into or consent to any amendment to this Trust Agreement which would cause the Trust to fail or cease to qualify for the exemption from status of an "investment company" under the Investment Company Act of 1940, as amended, afforded by Rule 3a-5 thereunder.

(e) Without the consent of the Depositor, this Trust Agreement may not be amended in a manner which imposes any additional obligation on the Depositor. In executing any amendment permitted by this Trust Agreement, the Trustees shall be entitled to receive, and (subject to Section 8.01) shall be fully protected in relying upon an Opinion of Counsel stating that the execution of such amendment is authorized or permitted by this Trust Agreement. Any Trustee may, but shall not be obligated to, enter into any such amendment which affects such Trustee's own rights, duties, immunities or liabilities under this Trust Agreement or otherwise.

(f) In the event that any amendment to this Trust Agreement is made, the Administrative Trustees shall promptly provide to the Depositor a copy of such amendment.

Section 10.04 Separability. In case any provision in this Trust Agreement or in the Trust Securities Certificates shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

Section 10.05 Governing Law. THIS TRUST AGREEMENT AND THE RIGHTS AND OBLIGATIONS OF EACH OF THE SECURITYHOLDERS, THE TRUST AND THE TRUSTEES WITH RESPECT TO THIS TRUST AGREEMENT AND THE TRUST SECURITIES SHALL BE CONSTRUED IN ACCORDANCE WITH AND GOVERNED BY THE INTERNAL LAWS OF THE STATE OF DELAWARE; PROVIDED THAT THE IMMUNITIES AND STANDARD OF CARE OF THE PROPERTY TRUSTEE SHALL BE GOVERNED BY NEW YORK LAW.

Section 10.06 Successors. This Trust Agreement shall be binding upon and shall inure to the benefit of any successor to both the Trust and the Trustees, including any successor by operation of law.

Section 10.07 Headings. The Article and Section headings are for convenience only and shall not affect the construction of this Trust Agreement.

Section 10.08 Notice and Demand. Any notice, demand or other communication which by any provision of this Trust Agreement is required or permitted to be given or served to or upon any Securityholder or the Depositor may be given or served in writing by deposit thereof, first-class postage prepaid, in the United

States mail, hand delivery or facsimile transmission, in each case, addressed, (i) in the case of a Preferred Securityholder, to such Preferred Securityholder as such Securityholder's name and address appear on the Securities Register and (ii) in the case of the Common Securityholder or the Depositor, to Gulf Power Company, 500 Bayfront Parkway, Pensacola, Florida 32501, Attention: Treasurer, Facsimile No. (904) 444-6026, with a copy to Southern Company Services, Inc., 270 Peachtree Street, N.W., Suite 2000, Atlanta, Georgia 30303, Attention: Corporate Finance Department, Facsimile No. (404) 506-0674. Such notice, demand or other communication to or upon a Securityholder shall be deemed to have been sufficiently given or made, for all purposes, upon hand delivery, mailing or transmission.

Any notice, demand or other communication which by any provision of this Trust Agreement is required or permitted to be given or served to or upon the Trust or the Trustees shall be given in writing addressed (until another address is published by the Trust) as follows: (i) with respect to the Property Trustee and the Delaware Trustee, The Chase Manhattan Bank, 450 West 33rd Street, New York, New York, 10001, Attention: Corporate Trustee Administration Department; Chase Manhattan Bank Delaware, 1201 Market Street, Wilmington, Delaware 19801, Attention: Corporate Trust Department, as the case may be; and (ii) with respect to the Administrative Trustees, to them at the address above for notices to the Depositor, marked Attention: Administrative Trustees of Gulf Power Capital Trust I c/o Treasurer. Such notice, demand or other communication to or upon the Trust or the Trustees shall be deemed to have been sufficiently given or made only upon actual receipt of the writing by the applicable Trustee.

Section 10.09 Agreement Not to Petition. Each of the Trustees and the Depositor agrees for the benefit of the Securityholders that, until at least one year and one day after the Trust has been terminated in accordance with Article IX, it shall not file, or join in the filing of, a petition against the Trust under any bankruptcy, reorganization, arrangement, insolvency, liquidation or other similar law (including, without limitation, the United States Bankruptcy Code) (collectively, "Bankruptcy Laws") or otherwise join in the commencement of any proceeding against the Trust under any Bankruptcy Law. In the event the Depositor takes action in violation of this Section 10.09, the Property Trustee agrees, for the benefit of Securityholders, that it shall file an answer with the bankruptcy court or otherwise properly contest the filing of such petition by the Depositor against the Trust or the commencement of such action and raise the defense that the Depositor has agreed in writing not to take such action and should be stopped and precluded therefrom and such other defenses, if any, as counsel for the Trustees or the Trust may assert. The provisions of this Section 10.09 shall survive the termination of this Trust Agreement.

Section 10.10 Conflict with Trust Indenture Act.

(a) This Trust Agreement is subject to the provisions of the Trust Indenture Act that are required to be part of this Trustee Agreement and shall, to the extent applicable, be governed by such provisions.

(b) The Property Trustee shall be the only Trustee which is a Trustee for the purposes of the Trust Indenture Act.

(c) If any provision hereof limits, qualifies or conflicts with another provision hereof which is required to be included in this Trust Agreement by any of the provisions of the Trust Indenture Act, such required provision shall control.

(d) The application of the Trust Indenture Act to this Trust Agreement shall not affect the nature of the Trust Securities as equity securities representing undivided beneficial interests in the assets of the Trust.

THE RECEIPT AND ACCEPTANCE OF A TRUST SECURITY OR ANY INTEREST THEREIN BY OR ON BEHALF OF A SECURITYHOLDER OR ANY BENEFICIAL OWNER, WITHOUT ANY SIGNATURE OR FURTHER MANIFESTATION OF ASSENT, SHALL CONSTITUTE THE UNCONDITIONAL ACCEPTANCE BY THE SECURITYHOLDER AND ALL OTHERS HAVING A BENEFICIAL INTEREST IN SUCH TRUST SECURITY OF ALL THE TERMS AND PROVISIONS OF THIS TRUST AGREEMENT AND AGREEMENT TO THE SUBORDINATION PROVISIONS AND OTHER TERMS OF THE GUARANTEE AND THE SUBORDINATED INDENTURE AND THE AGREEMENT OF THE TRUST, SUCH SECURITYHOLDER AND SUCH OTHERS THAT THOSE TERMS AND PROVISIONS SHALL BE BINDING, OPERATIVE AND EFFECTIVE AS BETWEEN THE TRUST AND SUCH SECURITYHOLDER AND SUCH OTHERS.

IN WITNESS WHEREOF, the parties hereto have executed this Trust Agreement or have caused this Trust Agreement to be executed on their behalf, all as of the day and year first above written.

GULF POWER COMPANY,
as Depositor

By: _____

Title:

THE CHASE MANHATTAN BANK,
as Property Trustee

By: _____

Title: SENIOR TRUST OFFICER

CHASE MANHATTAN BANK DELAWARE,
as Delaware Trustee

By: _____
Title: _____

_____
Linda Malone
as Administrative Trustee

_____
Wayne Boston,
as Administrative Trustee

IN WITNESS WHEREOF, the parties hereto have executed this Trust Agreement or have caused this Trust Agreement to be executed on their behalf, all as of the day and year first above written.

GULF POWER COMPANY,
as Depositor

By: _____

Title:

THE CHASE MANHATTAN BANK,
as Property Trustee

By: _____

Title:

CHASE MANHATTAN BANK DELAWARE,
as Delaware Trustee

By: _____

Title: _____
JOHN J. CASHIN
SENIOR TRUST OFFICER

_____
Linda Malone
as Administrative Trustee

_____
Wayne Boston,
as Administrative Trustee

41370

EXHIBIT A

[INTENTIONALLY RESERVED]

EXHIBIT B

_____, 19__

The Depository Trust Company
55 Water Street, 49th Floor
New York, New York 10041-0099

Attention: General Counsel's Office

Re: Gulf Capital Trust I
_____% Trust Preferred Securities

Ladies and Gentlemen:

The purpose of this letter is to set out certain matters relating to the above-referenced Preferred Securities (CUSIP No. _____) (the "Securities") of Gulf Power Capital Trust I, a Delaware statutory business trust (the "Trust"). The Securities are guaranteed to the extent set forth in the Prospectus relating to the Securities dated _____ __, 19__ by Gulf Power Company, a Maine corporation. The Trust is selling the Securities to certain underwriters (the "Underwriters") pursuant to an Underwriting Agreement dated _____ __, 19__, and the Underwriters wish to take delivery of the Securities through The Depository Trust Company ("DTC"). The Trust is acting as transfer agent and registrar with respect to the Securities. The Chase Manhattan Bank, in its capacity as Property Trustee of the Trust, will act as paying agent in relation to the Securities (the "Property Trustee").

To induce DTC to accept the Securities as eligible for deposit at DTC, and to act in accordance with its rules with respect to the Securities, the Trust and the Property Trustee severally, as set forth below each make the following representations to DTC.

1. Before the closing of the sale of the Securities to the Underwriters, which is expected to occur on or about _____, 19__ there shall be deposited with DTC one or more global certificates (the "Global Certificate") registered in the name of DTC's nominee, Cede & Co., for _____ Securities.

2. The Amended and Restated Trust Agreement dated as of _____ __, 19__ provides for the voting by holders of the Securities under certain circumstances. The Trust shall establish a record date for such purposes and shall, to the extent

possible, give DTC notice of such record date not less than 15 calendar days in advance of such record date. Notices to DTC pursuant to this paragraph by telecopy shall be sent to DTC's Reorganization Department at (212) 709-6896 or (212) 709-6897, and receipt of such notices shall be confirmed by telephoning (212) 709-6870. Notices to DTC pursuant to this paragraph by mail or by other means shall be sent to DTC's Reorganization Department as indicated in paragraph 6.

3. In the event of stock split, conversion, recapitalization, reorganization or any other similar transaction resulting in the cancellation of all or any part of the Securities outstanding, the Trust shall send DTC a notice of such event 5 business days prior to the effective date of such event.

4. In the event of a distribution with respect to the Securities outstanding, the Property Trustee shall send DTC a notice specifying the amount of and conditions, if any, applicable to such payment or distribution. Such notice shall be sent to DTC by a secure means (e.g., legible telecopy, registered or certified mail, overnight delivery) in a timely manner designed to assure that such notice is in DTC's possession no later than the close of business on the business day before the record date for such distribution. (The Property Trustee shall have a method to verify subsequently the use of such means and the timeliness of such notice.) After establishing the amount of payment to be made on the Securities, the Property Trustee will notify DTC's Dividend Department of such payment 5 business days prior to payment date.

5. In the event of a redemption by the Trust of the Securities, notice to holders of the Securities by the Trust specifying the terms of the redemption shall be sent to DTC not less than 30 days prior to such event by a secure means in the manner set forth in the preceding paragraph. Such redemption notice shall be sent to DTC's Call Notification Department at (516) 227-4039 or 4190, and receipt of such notice shall be confirmed by telephoning (516) 227-4070. Notice by mail or by any other means shall be sent to:

Call Notification Department
The Depository Trust Company
711 Stewart Avenue
Garden City, New York 11530-4719

6. In the event of any invitation to tender the Securities, notice by the Trust to holders of the Securities specifying the terms of the tender shall be sent to DTC by the Trust by a secure means by the close of business on the Business Day before such notice is given to such Holders. Notices to DTC pursuant to this paragraph and notices of other corporate actions (including

mandatory tenders, exchanges and capital changes), shall be sent by telecopy to DTC's Reorganization Department at (212) 709-1093 or (212) 709-1094, and receipt of such notices shall be confirmed by telephoning (212) 709-6884, or by mail or any other means to:

Manager, Reorganization Department
Reorganization Window
The Depository Trust Company
7 Hanover Square, 23rd Floor
New York, New York 10004-2695

7. All notices and payment advices sent to DTC shall contain the CUSIP number of the Securities and the accompanying description of the Securities, which, as of the date of this letter, is "Gulf Power Capital Trust I, _____% Trust Preferred Securities."

8. Notices to DTC's Dividend Department by telecopy shall be sent to (212) 709-1723. Such notices by mail or by any other means shall be sent to:

Manager, Announcements
Dividend Department
The Depository Trust Company
7 Hanover Square, 22nd Floor
New York, New York 10004

The Trust shall confirm DTC's receipt of such telecopy by telephoning the Dividend Department at (212) 709-1270.

9. Payments of cash distributions, including payments on redemption, with respect to the Securities evidenced by the Global Certificate shall be received by Cede & Co., as nominee of DTC, or its registered assigns in same day funds on each payment date (or in accordance with existing arrangements between the Property Trustee and DTC). Such payments shall be made payable to the order of Cede & Co.

10. Other cash payments shall be received by Cede & Co., as a nominee of DTC, or its registered assigns in next day funds on each payment date (or in accordance with existing arrangements between the Property Trustee and DTC). Such payments shall be made payable to the order of Cede & Co., and shall be addressed as follows:

NFDS Redemption Department
The Depository Trust Department
7 Hanover Square, 23rd Floor
New York, New York 10004-2695

11. DTC may direct the Trust and the Property Trustee to use any other telecopy number or address of DTC as the number or address to which notices or payments may be sent.

12. In the event of a conversion, redemption, or any other similar transaction (e.g., tender made and accepted in response to the Trust's invitation) necessitating a reduction in the aggregate number of Securities outstanding, DTC, in its discretion: (a) may request the Trust to issue and authenticate a new Security certificate; or (b) may make an appropriate notation on the Security certificate indicating the date and amount of such reduction.

13. DTC may discontinue its services as a securities depositary with respect to the Global Certificate at any time by giving reasonable notice to the Trust (at which time DTC will confirm with the Trust the aggregate number of Securities deposited with it) and discharging its responsibilities with respect thereto under applicable law. Under such circumstances, at DTC's request the Trust shall cooperate fully with DTC by taking prompt appropriate action to make alternative arrangements for book-entry settlement for the Securities or to make available one or more separate certificates evidencing Securities, to any participant having Securities credited to its DTC account.

14. In the event that the Trust determines that beneficial owners of Securities shall be able to obtain certificated Securities the Trust shall notify DTC of the availability of certificates. In such event, the Trust shall issue, transfer and exchange certificates in appropriate amounts, as required by DTC and others.

15. Nothing herein shall require the Trustees to advance their own funds for any purposes.

This letter may be executed in any number of counterparts, each of which when so executed shall be deemed to be an original but all such counterparts shall together constitute but one and the same instrument.

Very truly yours,

Gulf Power Capital Trust I

By:_____
Name:
Title: Administrative Trustee

THE CHASE MANHATTAN BANK,
as Property Trustee of
Gulf Power Capital Trust I

By:_____
Name:
Title:

RECEIVED AND ACCEPTED:

THE DEPOSITORY TRUST COMPANY

By:_____
Authorized Officer

EXHIBIT C

THIS CERTIFICATE IS NOT TRANSFERABLE

Certificate Number
C-1

Number of Common Securities
_____

Certificate Evidencing Common Securities
of
Gulf Power Capital Trust I

Common Securities
(liquidation amount $25 per Common Security)

Gulf Power Capital Trust I, a statutory business trust created under the laws of the State of Delaware (the "Trust"), hereby certifies that Gulf Power Company (the "Holder") is the registered owner of _____ (_____) common securities of the Trust representing undivided beneficial interests in the assets of the Trust and designated the Common Securities (liquidation amount $25 per Common Security) (the "Common Securities"). In accordance with Section 5.10 of the Trust Agreement (as defined below) the Common Securities are not transferable, except by operation of law, and any attempted transfer hereof shall be void. The designations, rights, privileges, restrictions, preferences and other terms and provisions of the Common Securities are set forth in, and this certificate and the Common Securities represented hereby are issued and shall in all respects be subject to the terms and provisions of, the Amended and Restated Trust Agreement of the Trust dated as of January 1, 1997, as the same may be amended from time to time (the "Trust Agreement"), including the designation of the terms of the Common Securities as set forth therein. The Trust will furnish a copy of the Trust Agreement to the Holder without charge upon written request to the Trust at its principal place of business or registered office.

Upon receipt of this certificate, the Holder is bound by the Trust Agreement and is entitled to the benefits thereunder.

IN WITNESS WHEREOF, the Administrative Trustees of the Trust have executed this certificate this ____ day of _____, 19__.

Gulf Power Capital Trust I

By: _____
Linda Malone,
as Administrative Trustee

By: _____
Wayne Boston,
as Administrative Trustee

CERTIFICATE OF AUTHENTICATION

This is one of the Common Securities referred to in the within-mentioned Trust Agreement.

_____
as Administrative Trustee

EXHIBIT D

AGREEMENT AS TO EXPENSES AND LIABILITIES

THIS AGREEMENT AS TO EXPENSES AND LIABILITIES (this "Agreement") is made as of January 1,1997, between Gulf Power Company, a Maine corporation (the "Company"), and Gulf Power Capital Trust I, a Delaware business trust (the "Trust").

WHEREAS, the Trust intends to issue its Common Securities (the "Common Securities") to and receive Junior Subordinated Notes from the Company and to issue and sell Gulf Power Capital Trust I 7.625% Cumulative Quarterly Income Preferred Securities (the "Preferred Securities") with such powers, preferences and special rights and restrictions as are set forth in the Amended and Restated Trust Agreement of the Trust dated as of January 1, 1997 as the same may be amended from time to time (the "Trust Agreement"); and

WHEREAS, the Company is the issuer of the Junior Subordinated Notes.

NOW, THEREFORE, in consideration of the purchase by each holder of the Preferred Securities, which purchase the Company hereby agrees shall benefit the Company and which purchase the Company acknowledges will be made in reliance upon the execution and delivery of this Agreement, the Company and the Trust hereby agree as follows:

ARTICLE I

Section 1.01. Guarantee by the Company. Subject to the terms and conditions hereof, the Company hereby irrevocably and unconditionally guarantees to each person or entity to whom the Trust is now or hereafter becomes indebted or liable (the "Beneficiaries") the full payment, when and as due, of any and all Obligations (as hereinafter defined) to such Beneficiaries. As used herein, "Obligations" means any indebtedness, expenses or liabilities of the Trust, other than obligations of the Trust to pay to holders of any Preferred Securities or other similar interests in the Trust the amounts due such holders pursuant to the terms of the Preferred Securities or such other similar interests, as the case may be. This Agreement is intended to be for the benefit of, and to be enforceable by, all such Beneficiaries, whether or not such Beneficiaries have received notice hereof.

Section 1.02. Term of Agreement. This Agreement shall terminate and be of no further force and effect upon the date on which there are no Beneficiaries remaining; provided, however, that this Agreement shall continue to be effective or shall be

reinstated, as the case may be, if at any time any holder of Preferred Securities or any Beneficiary must restore payment of any sums paid under the Preferred Securities, under any Obligation, under the Guarantee Agreement dated the date hereof by the Company and The Chase Manhattan Bank, as guarantee trustee, or under this Agreement for any reason whatsoever. This Agreement is continuing, irrevocable, unconditional and absolute.

Section 1.03. Waiver of Notice. The Company hereby waives notice of acceptance of this Agreement and of any Obligation to which it applies or may apply, and the Company hereby waives presentment, demand for payment, protest, notice of nonpayment, notice of dishonor, notice of redemption and all other notices and demands.

Section 1.04. No Impairment. The obligations, covenants, agreements and duties of the Company under this Agreement shall in no way be affected or impaired by reason of the happening from time to time of any of the following:

(a) the extension of time for the payment by the Trust of all or any portion of the Obligations or for the performance of any other obligation under, arising out of, or in connection with, the Obligations;

(b) any failure, omission, delay or lack of diligence on the part of the Beneficiaries to enforce, assert or exercise any right, privilege, power or remedy conferred on the Beneficiaries with respect to the Obligations or any action on the part of the Trust granting indulgence or extension of any kind; or

(c) the voluntary or involuntary liquidation, dissolution, sale of any collateral, receivership, insolvency, bankruptcy, assignment for the benefit of creditors, reorganization, arrangement, composition or readjustment of debt of, or other similar proceedings affecting, the Trust or any of the assets of the Trust.

There shall be no obligation of the Beneficiaries to give notice to, or obtain the consent of, the Company with respect to the happening of any of the foregoing.

Section 1.05. Enforcement. A Beneficiary may enforce this Agreement directly against the Company and the Company waives any right or remedy to require that any action be brought against the Trust or any other person or entity before proceeding against the Company.

ARTICLE II

Section 2.01. Binding Effect. All guarantees and agreements contained in this Agreement shall bind the successors, assigns, receivers, trustees and representatives of the Company and shall inure to the benefit of the Beneficiaries.

Section 2.02. Amendment. So long as there remains any Beneficiary or any Preferred Securities of any series are outstanding, this Agreement shall not be modified or amended in any manner adverse to such Beneficiary or to the holders of the Preferred Securities.

Section 2.03. Notices. Any notice, request or other communication required or permitted to be given hereunder shall be given in writing by delivering the same against receipt therefor by facsimile transmission (confirmed by mail), telex or by registered or certified mail, addressed as follows (and if so given, shall be deemed given when mailed or upon receipt of an answer-back, if sent by telex), to-wit:

Gulf Power Capital Trust I
c/o The Chase Manhattan Bank
450 West 33rd Street
New York, New York 10001
Facsimile No.: (212) 946-8159
Attention: Corporate Trustee
Administration Department

Gulf Power Company
500 Bayfront Parkway
Pensacola, Florida 32501
Facsimile No.: (904) 444-6026
Attention: Treasurer

Section 2.04. THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH THE LAWS OF THE STATE OF FLORIDA.

THIS AGREEMENT is executed as of the date and year first above written.

GULF POWER COMPANY

By: _____
Warren E. Tate
Secretary and Treasurer

GULF POWER CAPITAL TRUST I

By: _____
Wayne Boston, as
Administrative Trustee

EXHIBIT E

Unless this certificate is presented by an authorized representative of The Depository Trust Company, a New York corporation ("DTC"), to Gulf Power Capital Trust I or its agent for registration of transfer, exchange, or payment, and any certificate issued is registered in the name of Cede & Co. or in such other name as is requested by an authorized representative of DTC (and any payment made to Cede & Co. or to such other entity as is requested by an authorized representative of DTC), any transfer, pledge, or other use hereof for value or otherwise by or to any person is wrongful inasmuch as the registered owner thereof, Cede & Co., has an interest herein.

Certificate Number	Number of Preferred Securities
P-1	CUSIP NO. 402473201 _____

Certificate Evidencing Preferred Securities

of

Gulf Power Capital Trust I

7.625% Cumulative Quarterly Income Preferred Securities
(Liquidation amount $25 per Preferred Security)

Gulf Power Capital Trust I, a statutory business trust created under the laws of the State of Delaware (the "Trust"), hereby certifies that Cede & Co. (the "Holder") is the registered owner of _____ MILLION (_____) preferred securities of the Trust representing undivided beneficial interests in the assets of the Trust and designated the Gulf Power Capital Trust I 7.625% Cumulative Quarterly Income Preferred Securities (liquidation amount $25 per Preferred Security) (the "Preferred Securities"). The Preferred Securities are transferable on the books and records of the Trust, in person or by a duly authorized attorney, upon surrender of this certificate duly endorsed and in proper form for transfer as provided in Section 5.04 of the Trust Agreement (as defined below). The designations, rights, privileges, restrictions, preferences and other terms and provisions of the Preferred Securities are set forth in, and this certificate and the Preferred Securities represented hereby are issued and shall in all respects be subject to the terms and provisions of, the Amended and Restated Trust Agreement of the Trust, dated as of January 1, 1997, as the same may be amended from time to time (the "Trust Agreement"), including the designation of the terms of Preferred Securities as set forth therein. The holder of this certificate is entitled to the benefits of a guarantee by Gulf Power Company, a Maine corporation (the "Company"), pursuant to a

Guarantee Agreement between the Company and The Chase Manhattan Bank, as guarantee trustee, dated as of January 1, 1997, as the same may be amended from time to time (the "Guarantee"), to the extent provided therein. The Trust will furnish a copy of the Trust Agreement and the Guarantee to the holder of this certificate without charge upon written request to the Trust at its principal place of business or registered office.

Upon receipt of this certificate, the holder of this certificate is bound by the Trust Agreement and is entitled to the benefits thereunder.

41370

IN WITNESS WHEREOF, the Administrative Trustees of the Trust have executed this certificate this ____ day of _____, 19__.

GULF POWER CAPITAL TRUST I

By: _____
Linda Malone,
as Administrative Trustee

By: _____
Wayne Boston,
as Administrative Trustee

CERTIFICATE OF AUTHENTICATION

This is one of the Preferred Securities referred to in the within-mentioned Trust Agreement.

_____
as Administrative Trustee

ASSIGNMENT

FOR VALUE RECEIVED, the undersigned assigns and transfers this Preferred Security to:

_____

_____

_____

_____

(Insert assignee's social security or tax identification number)

_____

_____

_____

(Insert address and zip code of assignee)
and irrevocably appoints

_____

_____

_____

agent to transfer this Preferred Securities Certificate on the books of the Trust. The agent may substitute another to act for him or her.

Date: _____

Signature: _____

(Sign exactly as your name appears on the other side of this Preferred Securities Certificate)

GUARANTEE AGREEMENT

Between

Gulf Power Company

(as Guarantor)

and

The Chase Manhattan Bank

(as Trustee)

dated as of

January 1, 1997

CROSS-REFERENCE TABLE[1]

Section of Trust Indenture Act of 1939, as amended	Section of Guarantee Agreement
310(a)	4.01(a)
310(b)	4.01(c), 2.08
310(c)	Inapplicable
311(a)	2.02(b)
311(b)	2.02(b)
311(c)	Inapplicable
312(a)	2.02(a)
312(b)	2.02(b)
313	2.03
314(a)	2.04
314(b)	Inapplicable
314(c)	2.05
314(d)	Inapplicable
314(e)	1.01, 2.05, 3.02
314(f)	2.01, 3.02
315(a)	3.01(d)
315(b)	2.07
315(c)	3.01
315(d)	3.01(d)
315(e)	Inapplicable
316(a)	5.04(i), 2.06
316(b)	5.03
316(c)	2.02
317(a)	Inapplicable
317(b)	Inapplicable
318(a)	2.01(b)
318(b)	2.01
318(c)	2.01(a)

[1]This Cross-Reference Table does not constitute part of the Guarantee Agreement and shall not affect the interpretation of any of its terms or provisions.

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GUARANTEE AGREEMENT

This GUARANTEE AGREEMENT ("Guarantee Agreement"), dated as of January 1, 1997, between GULF POWER COMPANY, a Maine corporation (the "Guarantor"), and THE CHASE MANHATTAN BANK, a New York banking corporation, as trustee (the "Trustee"), for the benefit of the Holders (as defined herein) from time to time of the Preferred Securities (as defined herein) of GULF POWER CAPITAL TRUST I, a Delaware statutory business trust (the "Trust").

WHEREAS, pursuant to an Amended and Restated Trust Agreement (the "Trust Agreement"), dated as of January 1, 1997, among the Trustee, the other Trustees named therein, Gulf Power Company, as Depositor, and the holders of undivided beneficial interests in the assets of the Trust, the Trust is issuing as of January 31, 1997 $40,000,000 aggregate liquidation amount of its 7.625% Cumulative Quarterly Income Preferred Securities (the "Preferred Securities") representing preferred undivided beneficial interests in the assets of the Trust and having the terms set forth in the Trust Agreement;

WHEREAS, the Preferred Securities will be issued by the Trust and the proceeds thereof will be used to purchase the Junior Subordinated Notes (as defined in the Trust Agreement) of the Guarantor, which will be held by the Trust as trust assets; and

WHEREAS, as incentive for the Holders to purchase the Preferred Securities, the Guarantor desires to irrevocably and unconditionally agree, to the extent set forth herein, to pay to the Holders the Guarantee Payments (as defined herein) and to make certain other payments on the terms and conditions set forth herein.

NOW, THEREFORE, in consideration of the payment for Preferred Securities by each Holder (as defined herein) thereof, which payment the Guarantor hereby agrees shall benefit the Guarantor, the Guarantor executes and delivers this Guarantee Agreement for the benefit of the Holders from time to time of the Preferred Securities.

ARTICLE I

DEFINITIONS

SECTION 1.01. Definitions. As used in this Guarantee Agreement, the terms set forth below shall, unless the context otherwise requires, have the following meanings. Capitalized or otherwise defined terms used but not otherwise defined herein shall have the meanings assigned to such terms in the Trust Agreement as in effect on the date hereof.

"Affiliate" of any specified Person means any other Person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified Person. For

the purposes of this definition, "control" when used with respect to any specified Person means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms "controlling" and "controlled" have meanings correlative to the foregoing.

"Common Securities" means the securities representing common undivided beneficial interests in the assets of the Trust.

"Event of Default" means a failure by the Guarantor to perform any of its payment obligations under this Guarantee Agreement.

"Guarantee Payments" shall mean the following payments or distributions, without duplication, with respect to the Preferred Securities, to the extent not paid or made by or on behalf of the Trust: (i) any accrued and unpaid distributions that are required to be paid on such Preferred Securities but if and only if and to the extent the Trust has funds legally and immediately available therefor to make such payment; (ii) the redemption price, including all accrued and unpaid distributions to the date of redemption (the "Redemption Price"), with respect to the Preferred Securities called for redemption by the Trust but if and only if and to the extent that the Trust has funds legally and immediately available therefor sufficient to make such payment; and (iii) upon a voluntary or involuntary dissolution, winding-up or termination of the Trust (other than in connection with the distribution of Junior Subordinated Notes to the holders of Trust Securities or the redemption of all of the Preferred Securities), the lesser of (a) the aggregate of the liquidation amount and all accrued and unpaid distributions on the Preferred Securities to the date of payment, to the extent the Trust has funds legally and immediately available therefor, and (b) the amount of assets of the Trust remaining available for distribution to Holders in liquidation of the Trust (in either case, the "Liquidation Distribution").

"Holder" shall mean any holder, as registered on the books and records of the Trust, of any Preferred Securities; provided, however, that in determining whether the holders of the requisite percentage of Preferred Securities have given any request, notice, consent or waiver hereunder, "Holder" shall not include the Guarantor or any Affiliate of the Guarantor.

"Indenture" means the Subordinated Note Indenture dated as of January 1, 1997, between the Guarantor, as Subordinated Note Issuer, and The Chase Manhattan Bank, as trustee, as supplemented by the First Supplemental Indenture dated as of January 1, 1997, by and between the Guarantor and The Chase Manhattan Bank, as Trustee.

"Majority in liquidation amount of Preferred Securities" means a vote by Holder(s) of Preferred Securities, voting separately as a class, of more than 50% of the liquidation amount of all Preferred Securities outstanding at the time of determination.

"Officers' Certificate" means a certificate signed by the Chairman of the Board, the President or a Vice President, and by the Treasurer, an Assistant Treasurer, the Secretary or an Assistant Secretary, of the Guarantor, and delivered to the Trustee. Any Officers' Certificate delivered with respect to compliance with a condition or covenant provided for in this Guarantee Agreement shall include:

(a) a statement that each officer signing the Officers' Certificate has read the covenant or condition and the definitions relating thereto;

(b) a brief statement of the nature and scope of the examination or investigation undertaken by each officer in rendering the Officers' Certificate;

(c) a statement that each such officer has made such examination or investigation as, in such officer's opinion, is necessary to enable such officer to express an informed opinion as to whether or not such covenant or condition has been complied with; and

(d) a statement as to whether, in the opinion of each such officer, such condition or covenant has been complied with.

"Person" means any individual, corporation, partnership, limited liability company, joint venture, trust, unincorporated organization or government or any agency or political subdivision thereof.

"Responsible Officer" means, with respect to the Trustee, any vice president, any assistant vice president, the secretary, any assistant secretary, the treasurer, any assistant treasurer, any senior trust officer, trust officer or assistant trust officer or any other officer of the Corporate Trust Department of the Trustee customarily performing functions similar to those performed by any of the above designated officers and also means, with respect to a particular corporate trust matter, any other officer to whom such matter is referred because of that officer's knowledge of and familiarity with the particular subject.

"Successor Trustee" means a successor Trustee possessing the qualifications to act as Trustee under Section 4.01.

"Trust Indenture Act" means the Trust Indenture Act of 1939, as amended.

"Trustee" means The Chase Manhattan Bank until a Successor Trustee has been appointed and has accepted such appointment pursuant to the terms of this Guarantee Agreement and thereafter means each such Successor Trustee.

ARTICLE II

TRUST INDENTURE ACT

SECTION 2.01. Trust Indenture Act; Application.

(a) This Guarantee Agreement is subject to the provisions of the Trust Indenture Act that are required to be part of this Guarantee Agreement and shall, to the extent applicable, be governed by such provisions; and

(b) If and to the extent that any provision of this Guarantee Agreement limits, qualifies or conflicts with the duties imposed by Sections 310 to 317, inclusive, of the Trust Indenture Act, such imposed duties shall control.

SECTION 2.02. Lists of Holders of Securities.

(a) The Guarantor shall furnish or cause to be furnished to the Trustee (a) semiannually, not later than June 1 and December 1 in each year, a list, in such form as the Trustee may reasonably require, of the names and addresses of the Holders ("List of Holders") as of a date not more than 15 days prior to the time such list is furnished, and (b) at such other times as the Trustee may request in writing, within 30 days after the receipt by the Guarantor of any such request, a List of Holders as of a date not more than 15 days prior to the time such list is furnished; provided that, the Guarantor shall not be obligated to provide such List of Holders at any time the List of Holders does not differ from the most recent List of Holders given to the Trustee by the Guarantor. The Trustee may destroy any List of Holders previously given to it on receipt of a new List of Holders.

(b) The Trustee shall comply with its obligations under Sections 311(a), 311(b) and 312(b) of the Trust Indenture Act.

SECTION 2.03. Reports by the Trustee. Within 60 days after May 15 of each year commencing May 15, 1997, the Trustee shall provide to the Holders of the Preferred Securities such reports as are required by Section 313(a) of the Trust Indenture Act, if any, in the form and in the manner provided by Section 313 of the Trust Indenture Act. The Trustee shall also comply with the other requirements of Section 313 of the Trust Indenture Act.

SECTION 2.04. Periodic Reports to Trustee. The Guarantor shall provide to the Trustee such documents, reports and information as required by Section 314 of the Trust Indenture Act (if any) in the form, in the manner and at the times required by Section 314 of the Trust Indenture Act, and shall provide, within 120 days after the end of each of its fiscal years, the compliance certificate required by Section 314(a)(4) of the Trust Indenture Act in the form and in the manner required by such Section.

SECTION 2.05. Evidence of Compliance with Conditions Precedent. The Guarantor shall provide to the Trustee such evidence of compliance with any conditions precedent, if any, provided for in this Guarantee Agreement that relate to any of the matters set forth in Section 314(c) of the Trust Indenture Act. Any certificate or opinion required to be given by an officer pursuant to Section 314(c)(1) may be given in the form of an Officers' Certificate.

SECTION 2.06. Events of Default; Waiver. The Holders of a Majority in liquidation amount of Preferred Securities may, by vote, on behalf of all of the Holders, waive any past Event of Default and its consequences. Upon such waiver, any such Event of Default shall cease to exist, and any Event of Default arising therefrom shall be deemed to have been cured, for every purpose of this Guarantee Agreement, but no such waiver shall extend to any subsequent or other default or Event of Default or impair any right consequent thereon.

SECTION 2.07. Event of Default; Notice.

(a) The Trustee shall, within 90 days after the occurrence of an Event of Default, transmit by mail, first class postage prepaid, to the Holders, notices of all Events of Default known to the Trustee, unless such defaults have been cured before the giving of such notice, provided that the Trustee shall be protected in withholding such notice if and so long as the board of directors, the executive committee, or a trust committee of directors and/or Responsible Officers of the Trustee in good faith determines that the withholding of such notice is in the interests of the Holders.

(b) The Trustee shall not be deemed to have knowledge of any Event of Default unless the Trustee shall have received written notice, or a Responsible Officer charged with the administration of the Trust Agreement shall have obtained written notice, of such Event of Default.

SECTION 2.08. Conflicting Interests. The Trust Agreement shall be deemed to be specifically described in this Guarantee

Agreement for the purposes of clause (i) of the first proviso contained in Section 310(b) of the Trust Indenture Act.

ARTICLE III

POWERS, DUTIES AND RIGHTS OF TRUSTEE

SECTION 3.01. Powers and Duties of the Trustee.

(a) This Guarantee Agreement shall be held by the Trustee for the benefit of the Holders, and the Trustee shall not transfer this Guarantee Agreement to any Person except the Trustee shall assign rights hereunder to a Holder to the extent such assignment is necessary to exercise such Holder's rights pursuant to Section 5.04 or to a Successor Trustee upon acceptance by such Successor Trustee of its appointment to act as Successor Trustee. The right, title and interest of the Trustee shall automatically vest in any Successor Trustee, and such vesting and cessation of title shall be effective whether or not conveyancing documents have been executed and delivered pursuant to the appointment of such Successor Trustee.

(b) If an Event of Default has occurred and is continuing, the Trustee shall enforce this Guarantee Agreement for the benefit of the Holders.

(c) The Trustee, before the occurrence of any Event of Default and after the curing or waiving of all Events of Default that may have occurred, shall undertake to perform only such duties as are specifically set forth in this Guarantee Agreement, and no implied covenants shall be read into this Guarantee Agreement against the Trustee. In case an Event of Default has occurred (that has not been cured or waived pursuant to Section 2.06), the Trustee shall exercise such of the rights and powers vested in it by this Guarantee Agreement, and use the same degree of care and skill in its exercise thereof, as a prudent person would exercise or use under the circumstances in the conduct of his or her own affairs.

(d) No provision of this Guarantee Agreement shall be construed to relieve the Trustee from liability for its own negligent action, its own negligent failure to act, or its own willful misconduct, except that:

(i) prior to the occurrence of any Event of Default and after the curing or waiving of all such Events of Default that may have occurred:

(A) the duties and obligations of the Trustee shall be determined solely by the express provisions of this Guarantee Agreement, and the Trustee shall not be

liable except for the performance of such duties and obligations as are specifically set forth in this Guarantee Agreement; and

(B) in the absence of bad faith on the part of the Trustee, the Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon any certificates or opinions furnished to the Trustee and conforming to the requirements of this Guarantee Agreement; but in the case of any such certificates or opinions that by any provision hereof are specifically required to be furnished to the Trustee, the Trustee shall be under a duty to examine the same to determine whether or not they conform to the requirements of this Guarantee Agreement;

(ii) the Trustee shall not be liable for any error of judgment made in good faith by a Responsible Officer of the Trustee, unless it shall be proved that the Trustee was negligent in ascertaining the pertinent facts upon which such judgment was made;

(iii) the Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Holders of a Majority in liquidation amount of the Preferred Securities relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee under this Guarantee Agreement; and

(iv) no provision of this Guarantee Agreement shall require the Trustee to expend or risk its own funds or otherwise incur personal financial liability in the performance of any of its duties or in the exercise of any of its rights or powers, if the Trustee shall have reasonable grounds for believing that the repayment of such funds or liability is not reasonably assured to it under the terms of this Guarantee Agreement or adequate indemnity against such risk or liability is not reasonably assured to it.

SECTION 3.02. Certain Rights of Trustee.

(a) Subject to the provisions of Section 3.01:

(i) the Trustee may rely and shall be fully protected in acting or refraining from acting upon any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, debenture, note, other evidence of indebtedness or other

paper or document believed by it to be genuine and to have been signed, sent or presented by the proper party or parties;

(ii) any direction or act of the Guarantor contemplated by this Guarantee Agreement shall be sufficiently evidenced by an Officers' Certificate;

(iii) whenever, in the administration of this Guarantee Agreement, the Trustee shall deem it desirable that a matter be proved or established before taking, suffering or omitting any action hereunder, the Trustee (unless other evidence is herein specifically prescribed) may, in the absence of bad faith on its part, request and rely upon an Officers' Certificate which, upon receipt of such request, shall be promptly delivered by the Guarantor;

(iv) the Trustee may consult with counsel of its choice, and the written advice or opinion of such counsel with respect to legal matters shall be full and complete authorization and protection in respect of any action taken, suffered or omitted by it hereunder in good faith and in accordance with such advice or opinion; such counsel may be counsel to the Guarantor or any of its Affiliates and may include any of its employees; the Trustee shall have the right at any time to seek instructions concerning the administration of this Guarantee Agreement from any court of competent jurisdiction;

(v) the Trustee shall be under no obligation to exercise any of the rights or powers vested in it by this Guarantee Agreement at the request or direction of any Holder, unless such Holder shall have provided to the Trustee such adequate security and indemnity as would satisfy a reasonable person in the position of the Trustee, against the costs, expenses (including attorneys' fees and expenses) and liabilities that might be incurred by it in complying with such request or direction, including such reasonable advances as may be requested by the Trustee; provided that nothing contained in this Section 3.02(a)(v) shall be taken to relieve the Trustee, upon the occurrence of an Event of Default, of its obligation to exercise the rights and powers vested in it by this Guarantee Agreement;

(vi) the Trustee shall not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, debenture, note, other evidence of indebtedness or other paper or document, but the Trustee, in its discretion, may

make such further inquiry or investigation into such facts or matters as it may see fit;

(vii) the Trustee may execute any of the trusts or powers hereunder or perform any duties hereunder either directly or by or through agents or attorneys, and the Trustee shall not be responsible for any misconduct or negligence on the part of any agent or attorney appointed with due care by it hereunder; and

(viii) whenever in the administration of this Guarantee Agreement the Trustee shall deem it desirable to receive instructions with respect to enforcing any remedy or right or taking any other action hereunder, the Trustee (i) may request instructions from the Holders, (ii) may refrain from enforcing such remedy or right or taking such other action until such instructions are received, and (iii) shall be protected in acting in accordance with such instructions.

(c) No provision of this Guarantee Agreement shall be deemed to impose any duty or obligation on the Trustee to perform any act or acts or exercise any right, power, duty or obligation conferred or imposed on it in any jurisdiction in which it shall be illegal, or in which the Trustee shall be unqualified or incompetent in accordance with applicable law, to perform any such act or acts or to exercise any such right, power, duty or obligation. No permissive power or authority available to the Trustee shall be construed to be a duty.

SECTION 3.03. Compensation; Fees; Indemnity.

The Guarantor agrees:

(a) to pay to the Trustee from time to time reasonable compensation for all services rendered by the Trustee hereunder (which compensation shall not be limited by any provision of law in regard to the compensation of a trustee of an express trust);

(b) except as otherwise expressly provided herein, to reimburse the Trustee upon request for all reasonable expenses, disbursements and advances incurred or made by the Trustee in accordance with any provision of this Guarantee Agreement (including the reasonable compensation and the expenses and disbursements of its agents and counsel), except any such expense, disbursement or advance as may be attributable to its negligence or bad faith; and

(c) to indemnify the Trustee for, and to hold the Trustee harmless against, any and all loss, damage, claims, liability or expense incurred without negligence or bad faith on its part, arising out of or in connection with the acceptance or

administration of this Guarantee Agreement, including the costs and expenses of defending itself against any claim or liability in connection with the exercise or performance of any of its powers or duties hereunder.

The provisions of this Section 3.03 shall survive the termination of this Guarantee Agreement.

ARTICLE IV

TRUSTEE

SECTION 4.01. Trustee; Eligibility.

(a) There shall at all times be a Trustee which shall:

(i) not be an Affiliate of the Guarantor; and

(ii) be a corporation organized and doing business under the laws of the United States of America or any State or Territory thereof or of the District of Columbia, or a corporation or Person permitted by the Securities and Exchange Commission to act as an institutional trustee under the Trust Indenture Act, authorized under such laws to exercise corporate trust powers, having a combined capital and surplus of at least 50 million U.S. dollars ($50,000,000), and subject to supervision or examination by Federal, State, Territorial or District of Columbia authority. If such corporation publishes reports of condition at least annually, pursuant to law or to the requirements of the supervising or examining authority referred to above, then, for the purposes of this Section 4.01(a)(ii), the combined capital and surplus of such corporation shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published.

(b) If at any time the Trustee shall cease to be eligible to so act under Section 4.01(a), the Trustee shall immediately resign in the manner and with the effect set out in Section 4.02(c).

(c) If the Trustee has or shall acquire any "conflicting interest" within the meaning of Section 310(b) of the Trust Indenture Act, the Trustee and Guarantor shall in all respects comply with the provisions of Section 310(b) of the Trust Indenture Act, subject to the rights of the Trustee under the penultimate paragraph thereof.

SECTION 4.02. Appointment, Removal and Resignation of Trustee.

(a) Subject to Section 4.02(b), the Trustee may be appointed or removed without cause at any time by the Guarantor.

(b) The Trustee shall not be removed until a Successor Trustee has been appointed and has accepted such appointment by written instrument executed by such Successor Trustee and delivered to the Guarantor.

(c) The Trustee appointed to office shall hold office until a Successor Trustee shall have been appointed or until its removal or resignation. The Trustee may resign from office (without need for prior or subsequent accounting) by an instrument in writing executed by the Trustee and delivered to the Guarantor, which resignation shall not take effect until a Successor Trustee has been appointed and has accepted such appointment by instrument in writing executed by such Successor Trustee and delivered to the Guarantor and the resigning Trustee.

(d) If no Successor Trustee shall have been appointed and accepted appointment as provided in this Section 4.02 within 60 days after delivery to the Guarantor of an instrument of resignation, the resigning Trustee may petition any court of competent jurisdiction for appointment of a Successor Trustee. Such court may thereupon, after prescribing such notice, if any, as it may deem proper, appoint a Successor Trustee.

ARTICLE V

GUARANTEE

SECTION 5.01. Guarantee. The Guarantor irrevocably and unconditionally agrees to pay in full to the Holders the Guarantee Payments (without duplication of amounts theretofore paid by or on behalf of the Trust), as and when due, regardless of any defense, right of set-off or counterclaim which the Guarantor may have or assert against any Person. The Guarantor's obligation to make a Guarantee Payment may be satisfied by direct payment of the required amounts by the Guarantor to the Holders or by causing the Trust to pay such amounts to the Holders.

SECTION 5.02. Waiver of Notice and Demand. The Guarantor hereby waives notice of acceptance of this Guarantee Agreement and of any liability to which it applies or may apply, presentment, demand for payment, any right to require a proceeding first against the Trust or any other Person before proceeding against the Guarantor, protest, notice of nonpayment, notice of dishonor, notice of redemption and all other notices and demands.

SECTION 5.03. Obligations Not Affected. The obligation of the Guarantor to make the Guarantee Payments under this Guarantee Agreement shall in no way be affected or impaired by reason of the happening from time to time of any of the following:

(a) the release or waiver, by operation of law or otherwise, of the performance or observance by the Trust of any express or implied agreement, covenant, term or condition relating to the Preferred Securities to be performed or observed by the Trust;

(b) the extension of time for the payment by the Trust of all or any portion of the Distributions, Redemption Price, Liquidation Distribution or any other sums payable under the terms of the Preferred Securities or the extension of time for the performance of any other obligation under, arising out of, or in connection with, the Preferred Securities (other than an extension of time for payment of Distributions, Redemption Price, Liquidation Distribution or other sum payable that results from the extension of any interest payment period on the Junior Subordinated Notes permitted by the Indenture);

(c) any failure, omission, delay or lack of diligence on the part of the Holders to enforce, assert or exercise any right, privilege, power or remedy conferred on the Holders pursuant to the terms of the Preferred Securities, or any action on the part of the Trust granting indulgence or extension of any kind;

(d) the voluntary or involuntary liquidation, dissolution, sale of any collateral, receivership, insolvency, bankruptcy, assignment for the benefit of creditors, reorganization, arrangement, composition or readjustment of debt of, or other similar proceedings affecting, the Trust or any of the assets of the Trust;

(e) any invalidity of, or defect or deficiency in, the Preferred Securities;

(f) the settlement or compromise of any obligation guaranteed hereby or hereby incurred; or

(g) any other circumstance whatsoever that might otherwise constitute a legal or equitable discharge or defense of a guarantor, it being the intent of this Section 5.03 that the obligations of the Guarantor hereunder shall be absolute and unconditional under any and all circumstances.

There shall be no obligation of the Holders to give notice to, or obtain consent of, the Guarantor with respect to the happening of any of the foregoing.

SECTION 5.04. Rights of Holders. The Guarantor expressly acknowledges that: (i) this Guarantee Agreement will be deposited with the Trustee to be held for the benefit of the Holders; (ii) the Trustee has the right to enforce this Guarantee Agreement on behalf of the Holders; (iii) the Holders of a Majority in liquidation amount of the Preferred Securities have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee in respect of this Guarantee Agreement or exercising any trust or power conferred upon the Trustee under this Guarantee Agreement, provided that such direction shall not be in conflict with any rule of law or with this Guarantee Agreement, and could not involve the Trustee in personal liability in circumstances where reasonable indemnity would not be adequate; and (iv) any Holder may institute a legal proceeding directly against the Guarantor to enforce its rights under this Guarantee Agreement, without first instituting a legal proceeding against or requesting or directing that action be taken by the Trustee or any other Person; it being understood and intended that no one or more of such Holders shall have any right in any manner whatsoever by virtue of, or by availing of, any provision of this Guarantee Agreement to affect, disturb or prejudice the rights of any other of such Holders or to obtain or to seek to obtain priority or preference over any other of such Holders or to enforce any right under this Guarantee Agreement, except in the manner herein provided and for the equal and ratable benefit of all of such Holders.

SECTION 5.05. Guarantee of Payment. This Guarantee Agreement creates a guarantee of payment and not of collection. This Guarantee Agreement will not be discharged except by payment of the Guarantee Payments in full (without duplication) or upon the distribution of Junior Subordinated Notes to the Holders in exchange for all of the Preferred Securities.

SECTION 5.06. Subrogation. The Guarantor shall be subrogated to all (if any) rights of the Holders against the Trust in respect of any amounts paid to the Holders by the Guarantor under this Guarantee Agreement; provided, however, that the Guarantor shall not (except to the extent required by mandatory provisions of law) be entitled to enforce or exercise any rights which it may acquire by way of subrogation or any indemnity, reimbursement or other agreement, in all cases as a result of payment under this Guarantee Agreement, if, at the time of any such payment, any amounts of Guarantee Payments are due and unpaid under this Guarantee Agreement. If any amount shall be paid to the Guarantor in violation of the preceding sentence, the Guarantor agrees to hold such amount in trust for the Holders and to pay over such amount to the Holders.

SECTION 5.07. Independent Obligations. The Guarantor acknowledges that its obligations hereunder are independent of the

obligations of the Trust with respect to the Preferred Securities and that the Guarantor shall be liable as principal and as debtor hereunder to make Guarantee Payments pursuant to the terms of this Guarantee Agreement notwithstanding the occurrence of any event referred to in subsections (a) through (g), inclusive, of Section 5.03 hereof.

ARTICLE VI

SUBORDINATION

SECTION 6.01. Subordination. This Guarantee Agreement will constitute an unsecured obligation of the Guarantor and will rank (i) subordinate and junior in right of payment to all other liabilities of the Guarantor, including the Junior Subordinated Notes, except those obligations or liabilities made pari passu or subordinate by their terms, (ii) pari passu with the most senior preferred or preference stock now or hereafter issued by the Guarantor and with any guarantee now or hereafter entered into by the Guarantor in respect of any preferred or preference securities of any Affiliate of the Guarantor, and (iii) senior to all common stock of the Guarantor.

ARTICLE VII

TERMINATION

SECTION 7.01. Termination. This Guarantee Agreement shall terminate and be of no further force and effect upon: (i) full payment of the Redemption Price of all Preferred Securities, (ii) the distribution of Junior Subordinated Notes to the Holders in exchange for all of the Preferred Securities, or (iii) full payment of the amounts payable in accordance with the Trust Agreement upon liquidation of the Trust. Notwithstanding the foregoing, this Guarantee Agreement will continue to be effective or will be reinstated, as the case may be, if at any time any Holder must restore payment of any sums paid with respect to Preferred Securities or under this Guarantee Agreement.

ARTICLE VIII

MISCELLANEOUS

SECTION 8.01. Successors and Assigns. All guarantees and agreements contained in this Guarantee Agreement shall bind the successors, assigns, receivers, trustees and representatives of the Guarantor and shall inure to the benefit of the Holders of the Preferred Securities then outstanding. Except in connection with a consolidation, merger, conveyance, transfer, or lease involving the Guarantor that is permitted under Article Eight of the

Indenture, the Guarantor shall not assign its obligations hereunder.

SECTION 8.02. Amendments. Except with respect to any changes which do not materially and adversely affect the rights of Holders (in which case no consent of Holders will be required), this Guarantee Agreement may only be amended with the prior approval of the Holders of not less than 66-2/3% in liquidation amount of all the outstanding Preferred Securities. The provisions of Article Six of the Trust Agreement concerning meetings of Holders shall apply to the giving of such approval.

SECTION 8.03. Notices. Any notice, request or other communication required or permitted to be given hereunder shall be in writing, duly signed by the party giving such notice, and delivered, telecopied or mailed by first class mail as follows:

(a) if given to the Guarantor, to the address set forth below or such other address as the Guarantor may give notice of to the Trustee and the Holders:

Gulf Power Company
500 Bayfront Parkway
Pensacola, Florida 32501
Facsimile No.: (904) 444-6026
Attn: Treasurer

with copy to:

Southern Company Services, Inc.
270 Peachtree Street, N.W., Suite 2000
Atlanta, Georgia 30303
Facsimile No.: (404) 506-0674
Attention: Corporate Finance Department

(b) if given to the Trust, in care of the Trustee, or to the Trustee at the Trust's (and the Trustee's) address set forth below or such other address as the Trustee on behalf of the Trust may give notice to the Holders:

Gulf Power Capital Trust I
c/o The Chase Manhattan Bank
450 W. 33rd Street
New York, New York 10001
Attn: Corporate Trustee Administration Department

(c) if given to any Holder, at the address set forth on the books and records of the Trust.

All notices hereunder shall be deemed to have been given when received in person, telecopied with receipt confirmed, or mailed

by first class mail, postage prepaid except that if a notice or other document is refused delivery or cannot be delivered because of a changed address of which no notice was given, such notice or other document shall be deemed to have been delivered on the date of such refusal or inability to deliver.

SECTION 8.04. Benefit. This Guarantee Agreement is solely for the benefit of the Holders and, subject to Section 3.01(a), is not separately transferable from the Preferred Securities.

SECTION 8.05. Interpretation. In this Guarantee Agreement, unless the context otherwise requires:

(a) capitalized terms used in this Guarantee Agreement but not defined in the preamble hereto have the respective meanings assigned to them in Section 1.01;

(b) a term defined anywhere in this Guarantee Agreement has the same meaning throughout;

(c) all references to "the Guarantee Agreement" or "this Guarantee Agreement" are to this Guarantee Agreement as modified, supplemented or amended from time to time;

(d) all references in this Guarantee Agreement to Articles and Sections are to Articles and Sections of this Guarantee Agreement unless otherwise specified;

(e) a term defined in the Trust Indenture Act has the same meaning when used in this Guarantee Agreement unless otherwise defined in this Guarantee Agreement or unless the context otherwise requires;

(f) a reference to the singular includes the plural and vice versa; and

(g) the masculine, feminine or neuter genders used herein shall include the masculine, feminine and neuter genders.

SECTION 8.06. Governing Law. THIS GUARANTEE AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH THE INTERNAL LAWS OF THE STATE OF NEW YORK. THE GUARANTOR HEREBY IRREVOCABLY SUBMITS TO THE JURISDICTION OF THE UNITED STATES DISTRICT COURT FOR THE SOUTHERN DISTRICT OF NEW YORK AND ANY COURT IN THE STATE OF NEW YORK LOCATED IN THE CITY AND COUNTY OF NEW YORK IN ANY ACTION, SUIT OR PROCEEDING BROUGHT AGAINST IT AND RELATED TO OR IN CONNECTION WITH THIS GUARANTEE AGREEMENT OR THE TRANSACTIONS CONTEMPLATED THEREBY, AND TO THE EXTENT PERMITTED BY APPLICABLE LAW, THE GUARANTOR HEREBY WAIVES AND AGREES NOT TO ASSERT BY WAY OF MOTION, AS A DEFENSE OR OTHERWISE IN ANY SUCH SUIT, ACTION OR PROCEEDING, ANY CLAIM THAT IT IS NOT PERSONALLY

SUBJECT TO THE JURISDICTION OF SUCH COURTS, THAT THE SUIT, ACTION OR PROCEEDING IS BROUGHT IN AN INCONVENIENT FORUM, THAT THE VENUE OF THE SUIT, ACTION OR PROCEEDING IS IMPROPER, OR THAT THIS GUARANTEE AGREEMENT OR ANY DOCUMENT OR ANY INSTRUMENT REFERRED TO HEREIN OR THE SUBJECT MATTER HEREOF MAY NOT BE LITIGATED IN OR BY SUCH COURTS. TO THE EXTENT PERMITTED BY APPLICABLE LAW, THE GUARANTOR AGREES NOT TO SEEK AND HEREBY WAIVES THE RIGHT TO ANY REVIEW OF THE JUDGMENT OF ANY SUCH COURT BY ANY COURT OF ANY OTHER NATION OR JURISDICTION WHICH MAY BE CALLED UPON TO GRANT AN ENFORCEMENT OF SUCH JUDGMENT. THE GUARANTOR AGREES THAT SERVICE OF PROCESS MAY BE MADE UPON IT BY CERTIFIED OR REGISTERED MAIL TO THE ADDRESS FOR NOTICES SET FORTH IN THIS GUARANTEE AGREEMENT OR ANY METHOD AUTHORIZED BY THE LAWS OF NEW YORK.

This instrument may be executed in any number of counterparts, each of which so executed shall be deemed to be an original, but all such counterparts shall together constitute but one and the same instrument.

THIS GUARANTEE AGREEMENT is executed as of the day and year first above written.

GULF POWER COMPANY

By: _____
Name:
Title:

THE CHASE MANHATTAN BANK

By: _____
Name: R. Lorenzen
Title: Senior Trust Officer

EXHIBIT A.4

GULF POWER COMPANY

TO

THE CHASE MANHATTAN BANK,
TRUSTEE.

SUBORDINATED NOTE INDENTURE

DATED AS OF JANUARY 1, 1997

GULF POWER COMPANY
RECONCILIATION AND TIE BETWEEN TRUST INDENTURE ACT OF 1939 AND SUBORDINATED NOTE INDENTURE, DATED AS OF JANUARY 1, 1997

	TRUST INDENTURE ACT SECTION	INDENTURE SECTION
(S)	310(a)(1)	609
	(a)(2)	609
	(a)(3)	Not Applicable
	(a)(4)	Not Applicable
	(b)	608 610
(S)	311(a)	613
	311(b)(4)	613(a)
	(b)(6)	613(b)
(S)	312(a)	701 702(a)
	(c)	702(b)
(S)	313(a)	703(a)
	313(b)	703(b)
	313(c)	703(c) 704
	(d)	703(c)
(S)	314(a)	704, 1007
	(b)	Not Applicable
	(c)(1)	102
	(c)(2)	102
	(c)(3)	Not Applicable
	(d)	Not Applicable
	(e)	102
(S)	315(a)	601(a)
	(b)	602
	(c)	601(b)
	(d)	601(c)
	(d)(1)	601(a)(1)
	(d)(2)	601(c)(2)
	(d)(3)	601(c)(3)
	(e)	514
(S)	316(a)	101
	(a)(1)(A)	502 512
	(a)(1)(B)	513
	(a)(2)	Not Applicable
	(b)	508
(S)	317(a)(1)	503
	(a)(2)	504
	(b)	1003
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SUBORDINATED NOTE INDENTURE

THIS SUBORDINATED NOTE INDENTURE is made as of January 1, 1997, between GULF POWER COMPANY, a corporation duly organized and existing under the laws of the State of Maine (herein called the "Company"), having its principal office at 500 Bayfront Parkway, Pensacola, Florida 32501, and THE CHASE MANHATTAN BANK, a banking corporation duly organized and existing under the laws of the State of New York, having its principal corporate trust office at 450 West 33rd Street, New York, New York 10001, as Trustee (herein called the "Trustee").

W I T N E S S E T H:

WHEREAS, the Company has duly authorized the execution and delivery of this Subordinated Note Indenture to provide for the issuance from time to time of its unsecured subordinated debentures, notes or other evidences of indebtedness (herein called the "Junior Subordinated Notes"), to be issued in one or more series as in this Subordinated Note Indenture provided; and

WHEREAS, all things necessary to make this Subordinated Note Indenture a valid agreement of the Company, in accordance with its terms, have been done.

NOW, THEREFORE, for and in consideration of the premises and the purchase of the Junior Subordinated Notes by the Holders thereof, it is mutually covenanted and agreed, for the equal and proportionate benefit of all Holders of the Junior Subordinated Notes or of series thereof, as follows:

ARTICLE ONE

DEFINITIONS AND OTHER PROVISIONS OF GENERAL APPLICATION

SECTION 101. DEFINITIONS.

For all purposes of this Subordinated Note Indenture, except as otherwise expressly provided or unless the context otherwise requires:

(1) the terms defined in this Article have the meanings assigned to them in this Article and include the plural as well as the singular;

(2) all other terms used herein which are defined in the Trust Indenture Act, either directly or by reference therein, have the meanings assigned to them therein;

(3) all accounting terms not otherwise defined herein have the meanings assigned to them in accordance with generally accepted accounting principles in the United States of America, and, except as otherwise herein expressly provided, the term "generally accepted accounting principles" with respect to any computation required or permitted hereunder shall mean such accounting principles as are generally accepted in the United States of America at the date of such computation;

(4) the words "herein", "hereof" and "hereunder" and other words of similar import refer to this Subordinated Note Indenture as a whole and not to any particular Article, Section or other subdivision; and

(5) Trust Securities related to a particular series of Junior Subordinated Notes means the series of Trust Securities the proceeds of the sale of which were loaned to the Company in exchange for such series of Junior Subordinated Notes, and the guarantee related to such series of Trust Securities means the guarantee pursuant to which the Company has guaranteed, to the extent stated therein, the payment of distributions and certain other amounts with respect to such series of Trust Securities.

Certain terms, used principally in Article Six, are defined in that Article.

"Act" when used with respect to any Holder of a Junior Subordinated Note, has the meaning specified in Section 104.

"Additional Interest" means (i) such additional amounts as may be required so that the net amounts received and retained by the Holder (if the Holder is a Securities Trust) after paying taxes, duties, assessments or governmental charges of whatever nature (other than withholding taxes) imposed by the United States or any other taxing authority will not be less than the amounts the Holder would have received had no such taxes, duties, assessments, or other governmental charges been imposed; and (ii) any interest due and not paid on an Interest Payment Date, together with interest thereon from such Interest Payment Date to the date of payment, compounded quarterly, on each Interest Payment Date.

"Affiliate" of any specified Person means any other Person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified Person. For the purposes of this definition, "control" when used with respect to any specified Person means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or

otherwise; and the terms "controlling" and "controlled" have meanings correlative to the foregoing. Notwithstanding the foregoing, any Securities Trust organized by the Company shall not be deemed to be an Affiliate of the Company.

"Authenticating Agent" means any Person or Persons authorized by the Trustee to authenticate one or more series of Junior Subordinated Notes.

"Board of Directors" means either the board of directors of the Company or any duly authorized committee of the officers and/or directors of the Company appointed by that board.

"Board Resolution" means a copy of a resolution certified by the Secretary or an Assistant Secretary of the Company to have been duly adopted by the Board of Directors and to be in full force and effect on the date of such certification, and delivered to the Trustee.

"Business Day" means a day other than (i) a Saturday or a Sunday, (ii) a day on which banks in New York, New York are authorized or obligated by law or executive order to remain closed, or (iii) a day on which the Trustee's Corporate Trust Office or Property Trustee's principal corporate trust office is closed for business.

"Certificate of a Firm of Independent Public Accountants" means a certificate signed by an independent public accountant or a firm of independent public accountants who may be the independent public accountants regularly retained by the Company or who may be other independent public accountants. Such accountant or firm shall be entitled to rely upon an Opinion of Counsel as to the interpretation of any legal matters relating to such certificate.

"Commission" means the Securities and Exchange Commission, as from time to time constituted, created under the Securities Exchange Act of 1934, as amended, or, if at any time after the execution of this instrument such Commission is not existing and performing the duties now assigned to it under the Trust Indenture Act, then the body performing such duties at such time.

"Company" means the Person named as the "Company" in the first paragraph of this instrument until a successor corporation shall have become such pursuant to the applicable provisions of this Subordinated Note Indenture, and thereafter "Company" shall mean such successor corporation.

"Company Request" or "Company Order" means a written request or order signed in the name of the Company by its Chairman of the Board, its President or a Vice President, and by its Treasurer, an

Assistant Treasurer, its Secretary or an Assistant Secretary, and delivered to the Trustee.

"Corporate Trust Office" means the office of the Trustee in the Borough of Manhattan, New York City, at which at any particular time its corporate trust business shall be principally administered, which office at the date of execution of this Subordinated Note Indenture is located at 450 West 33rd Street, New York, New York 10001.

"Corporation" includes corporations, partnerships, limited liability companies, associations, companies and business trusts.

"Defaulted Interest" has the meaning specified in Section 305.

"Depositary" means, unless otherwise specified by the Company pursuant to either Section 203 or 301, with respect to Junior Subordinated Notes of any series issuable or issued as a Global Security, The Depository Trust Company, New York, New York, or any successor thereto registered as a clearing agency under the Securities Exchange Act of 1934, as amended, or other applicable statute or regulation.

"Event of Default" has the meaning specified in Section 501.

"Global Security" means, with respect to any series of Junior Subordinated Notes issued hereunder, a Junior Subordinated Note that is executed by the Company and authenticated and delivered by the Trustee to the Depositary or pursuant to the Depositary's instruction, all in accordance with Section 203 of this Indenture and any indenture supplemental hereto.

"Guarantee" means a Guarantee Agreement, if any, executed and delivered by the Company for the benefit of the holders from time to time of all or a portion of the Trust Securities of a Securities Trust.

"Holder", when used with respect to any Junior Subordinated Note, means the Person in whose name the Junior Subordinated Note is registered in the Security Register.

"Indenture" means this instrument as originally executed or as it may from time to time be supplemented or amended by one or more indentures supplemental hereto entered into pursuant to the applicable provisions hereof and shall include the terms of the particular series of Junior Subordinated Notes established as contemplated by Section 301.

"Interest Payment Date", when used with respect to any series of Junior Subordinated Notes, means the dates established for the

payment of interest thereon, as provided in the supplemental indenture for such series.

"Junior Subordinated Note" has the meaning stated in the first recital of this Indenture and more particularly means any Junior Subordinated Notes authenticated and delivered under this Indenture.

"Maturity", when used with respect to any Junior Subordinated Note, means the date on which the principal of such Junior Subordinated Note or an installment of principal becomes due and payable as therein or herein provided, whether at the Stated Maturity or by declaration of acceleration, call for redemption or otherwise.

"Officers' Certificate" means a certificate signed by the Chairman of the Board, the President or a Vice President, and by the Treasurer, an Assistant Treasurer, the Secretary or an Assistant Secretary, of the Company, and delivered to the Trustee.

"Opinion of Counsel" means a written opinion of counsel, who may be counsel for the Company, and who shall be acceptable to the Trustee.

"Outstanding", when used with respect to Junior Subordinated Notes, means, as of the date of determination, all Junior Subordinated Notes theretofore authenticated and delivered under this Indenture, except:

(i) Junior Subordinated Notes theretofore canceled by the Trustee or delivered to the Trustee for cancellation;

(ii) Junior Subordinated Notes for whose payment or redemption money in the necessary amount has been theretofore deposited with the Trustee or any Paying Agent (other than the Company) in trust or set aside and segregated in trust by the Company (if the Company shall act as its own Paying Agent) for the Holders of such Junior Subordinated Notes; provided that if such Junior Subordinated Notes are to be redeemed, notice of such redemption has been duly given pursuant to this Indenture or provision therefor satisfactory to the Trustee has been made;

(iii) Junior Subordinated Notes that have been paid or in exchange for or in lieu of which other Junior Subordinated Notes have been authenticated and delivered pursuant to this Indenture, other than any such Junior Subordinated Notes in respect of which there shall have been presented to the Trustee proof satisfactory to it that such Junior Subordinated Notes are held by a bona fide purchaser in whose

hands such Junior Subordinated Notes are valid obligations of the Company; and

(iv) Junior Subordinated Notes, or portions thereof, converted into or exchanged for another security if the terms of such Junior Subordinated Notes provide for such conversion or exchange;

provided, however, that in determining, during any period in which any Junior Subordinated Notes of a series are owned by any Person other than the Company or any Affiliate thereof, whether the Holders of the requisite principal amount of Outstanding Junior Subordinated Notes of such series have given any request, demand, authorization, direction, notice, consent or waiver hereunder, Junior Subordinated Notes of such series owned by the Company or any Affiliate thereof shall be disregarded and deemed not to be Outstanding. In determining whether the Trustee shall be protected in relying upon any such request, demand, authorization, direction, notice, consent or waiver, only Junior Subordinated Notes that the Trustee knows to be so owned by the Company or an Affiliate of the Company in the above circumstances shall be so disregarded. Junior Subordinated Notes so owned that have been pledged in good faith may be regarded as Outstanding if the pledgee establishes to the satisfaction of the Trustee the pledgee's right so to act with respect to such Junior Subordinated Notes and that the pledgee is not the Company or any Affiliate of the Company.

"Paying Agent" means any Person authorized by the Company to pay the principal of (and premium, if any) or interest on any Junior Subordinated Notes on behalf of the Company.

"Person" means any individual, corporation, partnership, limited liability company, joint venture, association, joint-stock company, trust, unincorporated organization or government or any agency or political subdivision thereof.

"Predecessor Security" of any particular Junior Subordinated Note means every previous Junior Subordinated Note evidencing all or a portion of the same debt as that evidenced by such particular Junior Subordinated Note; and, for the purposes of this definition, any Junior Subordinated Note authenticated and delivered under Section 304 in exchange for or in lieu of a mutilated, destroyed, lost or stolen Junior Subordinated Note shall be deemed to evidence the same debt as the mutilated, destroyed, lost or stolen Junior Subordinated Note.

"Property Trustee", when used with respect to the Junior Subordinated Notes of any series, means the Person designated as such in the related Trust Agreement.

"Redemption Date", when used with respect to any Junior Subordinated Note to be redeemed, means the date fixed for such redemption by or pursuant to this Indenture.

"Redemption Price", when used with respect to any Junior Subordinated Note to be redeemed, means the price at which it is to be redeemed pursuant to this Indenture.

"Regular Record Date" for the interest payable on any Interest Payment Date on the Junior Subordinated Notes of any series means the date specified for that purpose as contemplated by Section 301, whether or not a Business Day.

"Responsible Officer", when used with respect to the Trustee, means the chairman or any vice-chairman of the board of directors, the chairman or any vice-chairman of the executive committee of the board of directors, the chairman of the trust committee, the president, any vice president, the secretary, any assistant secretary, the treasurer, any assistant treasurer, the cashier, any assistant cashier, any senior trust officer, any trust officer or assistant trust officer, the controller or any assistant controller or any other officer of the Trustee customarily performing functions similar to those performed by any of the above designated officers and also means, with respect to a particular corporate trust matter, any other officer to whom such matter is referred because of his knowledge of and familiarity with the particular subject.

"Securities Trust" means any statutory business trust formed by the Company or an Affiliate to issue Trust Securities, the proceeds of which will be used to purchase Junior Subordinated Notes of one or more series.

"Security Register" and "Security Registrar" have the respective meanings specified in Section 303.

"Senior Indebtedness" means, with respect to the Company, (i) any payment due in respect of indebtedness of the Company, whether outstanding at the date of execution of this Subordinated Note Indenture or thereafter incurred, created, or assumed, (a) in respect of money borrowed (including any financial derivative, hedging or futures contract or similar instrument) and (b) evidenced by securities, debentures, bonds, notes or other similar instruments issued by the Company which, by their terms, are senior or senior subordinated debt securities including, without limitation, all obligations under its indentures with various trustees; (ii) all capital lease obligations; (iii) all obligations issued or assumed as the deferred purchase price of property, all conditional sale obligations and all obligations of the Company under any title retention agreement (but excluding trade accounts payable arising in the ordinary course of business

and long-term purchase obligations); (iv) all obligations for the reimbursement of any letter of credit, banker's acceptance, security purchase facility or similar credit transaction; (v) all obligations of the type referred to in clauses (i) through (iv) above of other persons the payment of which the Company is responsible or liable as obligor, guarantor or otherwise; and (vi) all obligations of the type referred to in clauses (i) through (v) above of other persons secured by any lien on any property or asset of the Company (whether or not such obligation is assumed by the Company), except for (1) any such indebtedness that is by its terms subordinated to or *pari passu* with the Junior Subordinated Notes and (2) any unsecured indebtedness between or among the Company or its Affiliates. Such Senior Indebtedness shall continue to be entitled to the benefits of the subordination provisions contained in Article Thirteen irrespective of any amendment, modification or waiver of any term of such Senior Indebtedness.

"Special Record Date" for the payment of any Defaulted Interest on the Junior Subordinated Notes of any series means a date fixed by the Trustee pursuant to Section 305.

"Stated Maturity", when used with respect to any Junior Subordinated Note or any installment of principal thereof or interest thereon, means the date specified in such Junior Subordinated Note as the fixed date on which the principal of such Junior Subordinated Note or such installment of principal or interest is due and payable.

"Trust Agreement", when used with respect to a Securities Trust, means the agreement or instrument that governs the affairs of such Securities Trust.

"Trust Indenture Act" means the Trust Indenture Act of 1939, as amended, and any reference herein to the Trust Indenture Act or a particular provision thereof shall mean such Trust Indenture Act or provision, as the case may be, as amended or replaced from time to time.

"Trust Securities" means the securities issued by a Securities Trust evidencing the entire beneficial interest therein.

"Trustee" means the Person named as the "Trustee" in the first paragraph of this instrument until a successor Trustee shall have become such with respect to one or more series of Junior Subordinated Notes pursuant to the applicable provisions of this Indenture, and thereafter "Trustee" shall mean or include each Person who is then a Trustee hereunder, and if at any time there is more than one such Person, "Trustee" as used with respect to

the Junior Subordinated Notes of any series shall mean the Trustee with respect to Junior Subordinated Notes of that series.

"Vice President", when used with respect to the Company or the Trustee, means any vice president, whether or not designated by a number or a word or words added before or after the title "vice president."

SECTION 102. COMPLIANCE CERTIFICATES AND OPINIONS.

Upon any application or request by the Company to the Trustee to take any action under any provision of this Indenture, the Company shall furnish to the Trustee an Officers' Certificate stating that all conditions precedent, if any, provided for in this Indenture relating to the proposed action have been complied with and an Opinion of Counsel stating that in the opinion of such counsel all such conditions precedent, if any, have been complied with, except that in the case of any such application or request as to which the furnishing of such documents is specifically required by any provision of this Indenture relating to such particular application or request, no additional certificate or opinion need be furnished.

Every certificate or opinion with respect to compliance with a condition or covenant provided for in this Indenture shall include

(i) a statement that each individual signing such certificate or opinion has read such covenant or condition and the definitions herein relating thereto;

(ii) a brief statement as to the nature and scope of the examination or investigation upon which the statements or opinions contained in such certificate or opinion are based;

(iii) a statement that, in the opinion of each such individual, he has made such examination or investigation as is necessary to enable him to express an informed opinion as to whether or not such covenant or condition has been complied with; and

(iv) a statement as to whether, in the opinion of each such individual, such condition or covenant has been complied with.

SECTION 103. FORM OF DOCUMENTS DELIVERED TO TRUSTEE.

In any case where several matters are required to be certified by, or covered by an opinion of, any specified Person, it is not necessary that all such matters be certified by, or

covered by the opinion of, only one such Person, or that they be certified or covered by only one document, but one such Person may certify or give an opinion with respect to some matters and one or more other such Persons as to other matters, and any such Person may certify or give an opinion as to such matters in one or several documents.

Any certificate or opinion of an officer of the Company may be based, insofar as it relates to legal matters, upon a certificate or opinion of, or representations by, counsel, unless such officer knows, or in the exercise of reasonable care should know, that the certificate or opinion or representations with respect to the matters upon which his certificate or opinion is based are erroneous. Any such certificate or Opinion of Counsel may be based, insofar as it relates to factual matters, upon a certificate or opinion of, or representations by, an officer or officers of the Company stating that the information with respect to such factual matters is in the possession of the Company, unless such counsel knows, or in the exercise of reasonable care should know, that the certificate or opinion or representations with respect to such matters are erroneous.

Where any Person is required to make, give or execute two or more applications, requests, consents, certificates, statements, opinions or other instruments under this Indenture, they may, but need not, be consolidated and form one instrument.

SECTION 104. ACTS OF HOLDERS.

(a) Any request, demand, authorization, direction, notice, consent, waiver or other action provided by this Indenture to be given or taken by Holders may be embodied in and evidenced by one or more instruments of substantially similar tenor signed by such Holders in person or by agent duly appointed in writing. Except as herein otherwise expressly provided, such action shall become effective when such instrument or instruments are delivered to the Trustee and, where it is hereby expressly required, to the Company. Such instrument or instruments (and the action embodied therein and evidenced thereby) are herein sometimes referred to as the "Act" of the Holders signing such instrument or instruments. Proof of execution of any such instrument or of a writing appointing any such agent, shall be sufficient for any purpose of this Indenture and (subject to Section 601) conclusive in favor of the Trustee and the Company, if made in the manner provided in this Section.

(b) The fact and date of the execution by any Person of any such instrument or writing may be proved by the affidavit of a witness of such execution or by a certificate of a notary public or other officer authorized by law to take acknowledgments of deeds, certifying that the individual signing such instrument or

writing acknowledged to him the execution thereof. Where such execution is by a signer in a capacity other than his individual capacity, such certificate or affidavit shall also constitute sufficient proof of his authority.

(c) The principal amount and serial numbers of Junior Subordinated Notes held by any Person, and the date of holding the same, shall be proved by the Security Register.

(d) Any request, demand, authorization, direction, notice, consent, election, waiver or other Act of the Holder of any Junior Subordinated Note shall bind every future Holder of the same Junior Subordinated Note and the Holder of every Junior Subordinated Note issued upon the registration of transfer thereof or in exchange therefor or in lieu thereof in respect of anything done, omitted or suffered to be done by the Trustee or the Company in reliance thereon, whether or not notation of such action is made upon such Junior Subordinated Note.

(e) The fact and date of execution of any such instrument or writing and the authority of the Person executing the same may also be proved in any other manner which the Trustee deems sufficient; and the Trustee may in any instance require further proof with respect to any of the matters referred to in this Section.

(f) If the Company shall solicit from the Holders of Junior Subordinated Notes of any series any Act, the Company may, at its option, by Board Resolution, fix in advance a record date for the determination of Holders of Junior Subordinated Notes entitled to take such Act, but the Company shall have no obligation to do so. Any such record date shall be fixed at the Company's discretion. If such a record date is fixed, such Act may be sought or given before or after the record date, but only the Holders of record at the close of business on such record date shall be deemed to be Holders of Junior Subordinated Notes for the purpose of determining whether Holders of the requisite proportion of Junior Subordinated Notes of such series Outstanding have authorized or agreed or consented to such Act, and for that purpose the Junior Subordinated Notes of such series Outstanding shall be computed as of such record date.

SECTION 105. NOTICES, ETC., TO TRUSTEE AND COMPANY.

Any request, demand, authorization, direction, notice, consent, election, waiver or Act of Holders or other document provided or permitted by this Indenture to be made upon, given or furnished to, or filed with,

(1) the Trustee by any Holder of a Junior Subordinated Note or by the Company shall be sufficient for every purpose

hereunder if made, given, furnished or filed in writing to or with the Trustee at its Corporate Trust Office, Attention: Corporate Trustee Administration Department, or

(2) the Company by the Trustee or by any Holder shall be sufficient for every purpose hereunder (unless otherwise herein expressly provided) if in writing and mailed, first-class postage prepaid, to the Company addressed to the attention of its Treasurer, 500 Bayfront Parkway, Pensacola, Florida 32501, or at any other address previously furnished in writing to the Trustee by the Company.

SECTION 106. NOTICE TO HOLDERS OF JUNIOR SUBORDINATED NOTES; WAIVER.

Except as otherwise expressly provided herein, where this Indenture provides for notice to Holders of Junior Subordinated Notes of any event, such notice shall be sufficiently given if in writing and mailed, first-class postage prepaid, to each Holder affected by such event, at his address as it appears in the Security Register, not later than the latest date, and not earlier than the earliest date, prescribed for the giving of such Notice.

In case by reason of the suspension of regular mail service or by reason of any other cause it shall be impracticable to give such notice by mail, then such notification as shall be made with the approval of the Trustee shall constitute a sufficient notification for every purpose hereunder. In any case where notice to Holders is given by mail, neither the failure to mail such notice, nor any defect in any notice so mailed, to any particular Holder shall affect the sufficiency of such notice with respect to other Holders.

Where this Indenture provides for notice in any manner, such notice may be waived in writing by the Person entitled to receive such notice, either before or after the event, and such waiver shall be the equivalent of such notice. Waivers of notice by Holders of Junior Subordinated Notes shall be filed with the Trustee, but such filing shall not be a condition precedent to the validity of any action taken in reliance upon such waiver.

SECTION 107. CONFLICT WITH TRUST INDENTURE ACT.

If any provision hereof limits, qualifies or conflicts with a provision of the Trust Indenture Act that is required to be a part of and govern this Indenture, such required provision shall control.

SECTION 108. EFFECT OF HEADINGS AND TABLE OF CONTENTS.

The Article and Section headings herein and the Table of Contents are for convenience only and shall not affect the construction hereof.

SECTION 109. SUCCESSORS AND ASSIGNS.

All covenants and agreements in this Indenture by the Company shall bind its successors and assigns, whether so expressed or not.

SECTION 110. SEPARABILITY CLAUSE.

In case any provision in this Indenture or the Junior Subordinated Notes shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

SECTION 111. BENEFITS OF INDENTURE.

Nothing in this Indenture or the Junior Subordinated Notes, express or implied, shall give to any Person, other than the parties hereto, their successors hereunder and the Holders of Junior Subordinated Notes and, to the extent provided in Section 1403, the holders of Senior Indebtedness or Trust Securities, any benefit or any legal or equitable right, remedy or claim under this Indenture.

SECTION 112. GOVERNING LAW.

This Indenture and the Junior Subordinated Notes shall be governed by, and construed in accordance with, the internal laws of the State of New York.

SECTION 113. LEGAL HOLIDAYS.

In any case where any Interest Payment Date, Redemption Date or Stated Maturity of any Junior Subordinated Note shall not be a Business Day, then (notwithstanding any other provision of this Indenture or of the Junior Subordinated Notes) payment of interest or principal (and premium, if any) need not be made on such date, but may be made on the next succeeding Business Day, except that, if such Business Day is in the next succeeding calendar year, such payment shall be made on the immediately preceding Business Day, in each case with the same force and effect as if made on the Interest Payment Date or Redemption Date, or at the Stated Maturity, provided that no interest shall accrue on the amount so payable for the period from and after such Interest Payment Date, Redemption Date or Stated Maturity, as the case may be.

SECTION 114. APPOINTMENT OF AGENT FOR SERVICE.

By the execution and delivery of this Indenture, the Company hereby appoints the Trustee as its agent upon which process may be served in any legal action or proceeding which may be instituted in any Federal or State court in the Borough of Manhattan, New York City, arising out of or relating to the Junior Subordinated Notes or this Indenture. Service of process upon such agent at the office of such agent at 450 West 33rd Street, New York, New York 10001, Attention: Corporate Trustee Administration Department (or such other address in the Borough of Manhattan, New York City, as may be the Corporate Trust Office of the Trustee), and written notice of such service to the Company by the Person serving the same addressed as provided in Section 105, shall be deemed in every respect effective service of process upon the Company in any such legal action or proceeding, and the Company hereby submits to the jurisdiction of any such court in which any such legal action or proceeding is so instituted. Such appointment shall be irrevocable so long as the Holders of Junior Subordinated Notes shall have any rights pursuant to the terms thereof or of this Indenture until the appointment of a successor by the Company with the consent of the Trustee and such successor's acceptance of such appointment. The Company further agrees to take any and all action, including the execution and filing of any and all such documents and instruments, as may be necessary to continue such designation and appointment of such agent or successor.

By the execution and delivery of this Indenture, the Trustee hereby agrees to act as such agent and undertakes promptly to notify the Company of receipt by it of service of process in accordance with this Section.

ARTICLE TWO

SECTION 201. FORMS GENERALLY.

The Junior Subordinated Notes of each series shall be in substantially the form appended to the supplemental indenture authorizing such series, in each case with such appropriate insertions, omissions, substitutions and other variations as are required or permitted by this Indenture, and may have such letters, numbers or other marks of identification and such legends or endorsements placed thereon as may be required to comply with the rules of any securities exchange or as may, consistently herewith, be determined by the officers executing such Junior Subordinated Notes, as evidenced by their execution of the Junior Subordinated Notes.

The Junior Subordinated Notes of each series shall be issuable in registered form without coupons.

The definitive Junior Subordinated Notes may be printed, typewritten, lithographed or engraved on steel engraved borders or may be produced in any other manner, all as determined by the officers executing such Junior Subordinated Notes, as evidenced by their execution of such Junior Subordinated Notes.

SECTION 202. FORM OF TRUSTEE'S CERTIFICATE OF AUTHENTICATION.

The form of the Trustee's Certificate of Authentication for a series of Junior Subordinated Notes shall be in substantially the form appended to the Supplemental Indenture authorizing such series.

SECTION 203. JUNIOR SUBORDINATED NOTES ISSUABLE IN THE FORM OF A GLOBAL SECURITY.

(a) If the Company shall establish pursuant to Section 301 that the Junior Subordinated Notes of a particular series are to be issued in whole or in part in the form of one or more Global Securities, then the Company shall execute and the Trustee shall, in accordance with Section 302 and the Company Order delivered to the Trustee thereunder, authenticate and deliver such Global Security or Securities, which (i) shall represent, and shall be denominated in an amount equal to the aggregate principal amount of the Outstanding Junior Subordinated Notes of such series to be represented by such Global Security or Securities, (ii) may provide that the aggregate amount of Outstanding Junior Subordinated Notes represented thereby may from time to time be increased or reduced to reflect exchanges, (iii) shall be registered in the name of the Depositary for such Global Security or Securities or its nominee, (iv) shall be delivered by the Trustee to the Depositary or pursuant to the Depositary's instruction and (v) shall bear a legend in accordance with the requirements of the Depositary.

(b) Notwithstanding any other provision of this Section 203 or of Section 303, subject to the provisions of paragraph (c) below, unless the terms of a Global Security expressly permit such Global Security to be exchanged in whole or in part for individual Junior Subordinated Notes, a Global Security may be transferred, in whole but not in part and in the manner provided in Section 303, only to a nominee of the Depositary for such Global Security, or to the Depositary, or to a successor Depositary for such Global Security selected or approved by the Company, or to a nominee of such successor Depositary.

(c) (1) If at any time the Depositary for a Global Security notifies the Company that it is unwilling or unable to continue as Depositary for such Global Security or if at any time the Depositary for the Junior Subordinated Notes for

such series shall no longer be eligible or in good standing under the Securities Exchange Act of 1934, as amended, or other applicable statute or regulation, the Company shall appoint a successor Depositary with respect to such Global Security. If a successor Depositary for such Global Security is not appointed by the Company within 90 days after the Company receives such notice or becomes aware of such ineligibility, the Company will execute, and the Trustee, upon receipt of a Company Order for the authentication and delivery of individual Junior Subordinated Notes of such series in exchange for such Global Security, will authenticate and deliver individual Junior Subordinated Notes of such series of like tenor and terms in definitive form in an aggregate principal amount equal to the principal amount of the Global Security in exchange for such Global Security.

(2) The Company may at any time and in its sole discretion determine that the Junior Subordinated Notes of any series issued or issuable in the form of one or more Global Securities shall no longer be represented by such Global Security or Securities. In such event the Company will execute, and the Trustee, upon receipt of a Company Request for the authentication and delivery of individual Junior Subordinated Notes of such series in exchange in whole or in part for such Global Security, will authenticate and deliver individual Junior Subordinated Notes of such series of like tenor and terms in definitive form in an aggregate principal amount equal to the principal amount of such Global Security or Securities representing such series in exchange for such Global Security or Securities.

(3) If specified by the Company pursuant to Section 301 with respect to Junior Subordinated Notes issued or issuable in the form of a Global Security, the Depositary for such Global Security may surrender such Global Security in exchange in whole or in part for individual Junior Subordinated Notes of such series of like tenor and terms in definitive form on such terms as are acceptable to the Company and such Depositary. Thereupon the Company shall execute, and the Trustee shall authenticate and deliver, without service charge, (A) to each Person specified by such Depositary a new Junior Subordinated Note or Notes of the same series of like tenor and terms and of any authorized denomination as requested by such Person in aggregate principal amount equal to and in exchange for such Person's beneficial interest in the Global Security; and (B) to such Depositary a new Global Security of like tenor and terms and in an authorized denomination equal to the difference, if any, between the principal amount of the surrendered Global Security and the aggregate principal amount of Junior Subordinated Notes delivered to Holders thereof.

(4) In any exchange provided for in any of the preceding three paragraphs, the Company will execute and the Trustee will authenticate and deliver individual Junior Subordinated Notes in definitive form in authorized denominations. Upon the exchange of the entire principal amount of a Global Security for individual Junior Subordinated Notes, such Global Security shall be cancelled by the Trustee. Except as provided in the preceding paragraph, Junior Subordinated Notes issued in exchange for a Global Security pursuant to this Section shall be registered in such names and in such authorized denominations as the Depositary for such Global Security, pursuant to instructions from its direct or indirect participants or otherwise, shall instruct the Trustee. Provided that the Company and the Trustee have so agreed, the Trustee shall deliver such Junior Subordinated Notes to the Persons in whose names the Junior Subordinated Notes are registered.

(5) Any endorsement of a Global Security to reflect the amount, or any increase or decrease in the amount, or changes in the rights of Holders, of Outstanding Junior Subordinated Notes represented thereby shall be made in such manner and by such Person or Persons as shall be specified therein or in the Company Order to be delivered pursuant to Section 302 with respect thereto. Subject to the provisions of Section 302, the Trustee shall deliver and redeliver any such Global Security in the manner and upon instructions given by the Person or Persons specified therein or in the applicable Company Order. If a Company Order pursuant to Section 302 has been, or simultaneously is, delivered, any instructions by the Company with respect to such Global Security shall be in writing but need not be accompanied by or contained in an Officers' Certificate and need not be accompanied by an Opinion of Counsel.

ARTICLE THREE

THE JUNIOR SUBORDINATED NOTES

SECTION 301. AMOUNT UNLIMITED; ISSUABLE IN SERIES.

The aggregate principal amount of Junior Subordinated Notes which may be authenticated and delivered under this Indenture is unlimited.

The Junior Subordinated Notes may be issued in one or more series. There may be established, pursuant to one or more indentures supplemental hereto, prior to the issuance of Junior Subordinated Notes of any series,

(1) the title of the Junior Subordinated Notes of the series (which shall distinguish the Junior Subordinated Notes of the series from Junior Subordinated Notes of all other series);

(2) any limit upon the aggregate principal amount of the Junior Subordinated Notes of the series which may be authenticated and delivered under this Indenture (except for Junior Subordinated Notes authenticated and delivered upon registration of transfer of, or in exchange for, or in lieu of, other Junior Subordinated Notes of the series pursuant to Sections 203, 303, 304, 907 or 1107);

(3) the Person to whom interest on a Junior Subordinated Note of the series shall be payable if other than the Person in whose name that Junior Subordinated Note (or one or more Predecessor Securities) is registered at the close of business on the Regular Record Date for such interest;

(4) the date or dates on which the principal of the Junior Subordinated Notes of the series is payable, and the right, if any, to extend the Stated Maturity of the Junior Subordinated Notes and the conditions to such extension;

(5) the rate or rates at which the Junior Subordinated Notes of the series shall bear interest, if any, or any method by which such rate or rates shall be determined, the date or dates from which such interest shall accrue, the Interest Payment Dates on which such interest shall be payable, the Regular Record Date for the interest payable on Junior Subordinated Notes on any Interest Payment Date and the basis upon which interest shall be calculated if other than that of a 360-day year consisting of twelve 30-day months;

(6) the place or places where the principal of (and premium, if any) and interest, if any, on Junior Subordinated Notes of the series shall be payable;

(7) the period or periods within which, the price or prices at which and the terms and conditions upon which Junior Subordinated Notes of the series may be redeemed, in whole or in part, at the option of the Company;

(8) the obligation, if any, of the Company to redeem or purchase Junior Subordinated Notes of the series pursuant to any sinking fund or analogous provision or at the option of a Holder thereof and the period or periods within which, the price or prices at which, and the terms and conditions upon which, Junior Subordinated Notes of the series shall be

redeemed or purchased, in whole or in part, pursuant to such obligation;

(9) the denominations in which Junior Subordinated Notes of the series shall be issuable;

(10) if the amount of payments of principal of (and premium, if any) or interest (including Additional Interest) on the Junior Subordinated Notes of the series may be determined with reference to an index or formula, the manner in which such amounts shall be determined;

(11) if other than the principal amount thereof, the portion of the principal amount of Junior Subordinated Notes of the series which shall be payable upon declaration of acceleration of the Maturity thereof pursuant to Section 502;

(12) any deletions from, modifications of or additions to the Events of Default or covenants of the Company as provided herein pertaining to the Junior Subordinated Notes of the series, and any change in the rights of the Trustee or Holders of such series pursuant to Section 901 or 902;

(13) any additions to the definitions currently set forth in this Indenture with respect to such series;

(14) whether the Junior Subordinated Notes of the series shall be issued in whole or in part in the form of a Global Security or Securities; the terms and conditions, if any, upon which such Global Security or Securities may be exchanged in whole or in part for certificated Junior Subordinated Notes of such series and of like tenor of any authorized denomination and the circumstances under which such exchange may occur, if other than in the manner provided for in Section 203; the Depositary for such Global Security or Securities; and the form of any legend or legends to be borne by any such Global Security in addition to or in lieu of the legend referred to in Section 203;

(15) the right, if any, of the Company to extend the interest payment periods of such series of Junior Subordinated Notes, including the maximum duration of any such extension or extensions, the Additional Interest, if any, payable on such Junior Subordinated Notes during any extension of the interest payment period and any notice (which shall include notice to the Trustee) that must be given upon the exercise of such right to extend interest payment periods;

(16) any restriction or condition on the transferability of such Junior Subordinated Notes; and

(17) any other terms of the series.

All Junior Subordinated Notes of any one series shall be substantially identical except as to the date or dates from which interest, if any, shall accrue and denomination and except as may otherwise be provided in the terms of such Junior Subordinated Notes determined or established as provided above. All Junior Subordinated Notes of any one series need not be issued at the same time and, unless otherwise provided, a series may be reopened for issuances of additional Junior Subordinated Notes of such series.

SECTION 302. EXECUTION, AUTHENTICATION, DELIVERY AND DATING.

The Junior Subordinated Notes shall be executed on behalf of the Company by its Chairman of the Board, its President or one of its Vice Presidents, under its corporate seal reproduced thereon attested by its Secretary or one of its Assistant Secretaries. The signature of any of these officers on the Junior Subordinated Notes may be manual or facsimile.

Junior Subordinated Notes bearing the manual or facsimile signatures of individuals who were at the time relevant to the authorization thereof the proper officers of the Company shall bind the Company, notwithstanding that such individuals or any of them have ceased to hold such offices prior to the authentication and delivery of such Junior Subordinated Notes or did not hold such offices at the date of such Junior Subordinated Notes.

At any time and from time to time after the execution and delivery of this Indenture, the Company may deliver Junior Subordinated Notes of any series executed by the Company to the Trustee for authentication, together with a Company Order for the authentication and delivery of such Junior Subordinated Notes, and the Trustee, in accordance with the Company Order, shall authenticate and deliver such Junior Subordinated Notes. If all of the Junior Subordinated Notes of any series are not to be issued at one time and if the supplemental indenture establishing such series shall so permit, such Company Order may set forth procedures acceptable to the Trustee for the issuance of such Junior Subordinated Notes and determining the terms of particular Junior Subordinated Notes of such series, such as interest rate, maturity date, date of issuance and date from which interest shall accrue. In authenticating Junior Subordinated Notes hereunder, and accepting the additional responsibilities under this Indenture in relation to such Junior Subordinated Notes, the Trustee shall be entitled to receive, and (subject to Section 601) shall be fully protected in relying upon:

(1) an Opinion of Counsel, to the effect that:

(a) the form and terms of such Junior Subordinated Notes or the manner of determining such terms have been established in conformity with the provisions of this Indenture; and

(b) such Junior Subordinated Notes, when authenticated and delivered by the Trustee and issued by the Company in the manner and subject to any conditions specified in such Opinion of Counsel, will constitute valid and legally binding obligations of the Company, enforceable in accordance with their terms, subject, as to enforcement, to bankruptcy, insolvency, reorganization and other laws of general applicability relating to or affecting the enforcement of creditors' rights and to general equity principles; and

(2) an Officers' Certificate stating, to the best knowledge of each signer of such certificate, that no event which is, or after notice or lapse of time would become, an Event of Default with respect to any of the Junior Subordinated Notes shall have occurred and be continuing.

The Trustee shall not be required to authenticate such Junior Subordinated Notes if the issue of such Junior Subordinated Notes pursuant to this Indenture will affect the Trustee's own rights, duties or immunities under the Junior Subordinated Notes and this Indenture or otherwise in a manner which is not reasonably acceptable to the Trustee.

If all the Junior Subordinated Notes of any series are not to be issued at one time, it shall not be necessary to deliver an Opinion of Counsel and Officers' Certificate at the time of issuance of each such Junior Subordinated Note, but such opinion and certificate shall be delivered at or before the time of issuance of the first Junior Subordinated Note of such series to be issued.

Each Junior Subordinated Note shall be dated the date of its authentication.

No Junior Subordinated Note shall be entitled to any benefit under this Indenture or be valid or obligatory for any purpose unless there appears on such Junior Subordinated Note a certificate of authentication substantially in the form provided for herein executed by the Trustee by manual signature, and such certificate upon any Junior Subordinated Note shall be conclusive

evidence, and the only evidence, that such Junior Subordinated Note has been duly authenticated and delivered hereunder and is entitled to the benefits of this Indenture.

SECTION 303. REGISTRATION, REGISTRATION OF TRANSFER AND EXCHANGE.

The Company shall cause to be kept at the office of the Security Registrar designated pursuant to this Section 303 or Section 1002 a register (referred to as the "Security Register") in which, subject to such reasonable regulations as it may prescribe, the Company shall provide for the registration of Junior Subordinated Notes and of transfers of Junior Subordinated Notes. The Trustee is hereby initially appointed as Security Registrar for the purpose of registering Junior Subordinated Notes and transfers of Junior Subordinated Notes as herein provided.

Subject to Section 203, upon surrender for registration of transfer of any Junior Subordinated Note of any series at the office or agency maintained for such purpose for such series, the Company shall execute, and the Trustee shall authenticate and deliver, in the name of the designated transferee or transferees, one or more new Junior Subordinated Notes of the same series, Stated Maturity and original issue date, of any authorized denominations and of like tenor and aggregate principal amount.

Subject to Section 203, Junior Subordinated Notes of any series may be exchanged, at the option of the Holder, for Junior Subordinated Notes of the same series, Stated Maturity and original issue date, of any authorized denominations and of like tenor and aggregate principal amount, upon surrender of the Junior Subordinated Notes to be exchanged at any such office or agency.

Whenever any Junior Subordinated Notes are so surrendered for exchange, the Company shall execute, and the Trustee shall authenticate and deliver, the Junior Subordinated Notes that the Holder making the exchange is entitled to receive.

All Junior Subordinated Notes issued upon any registration of transfer or exchange of Junior Subordinated Notes shall be the valid obligations of the Company, evidencing the same debt, and entitled to the same benefits under this Indenture, as the Junior Subordinated Notes surrendered upon such registration of transfer or exchange.

Every Junior Subordinated Note presented or surrendered for registration of transfer or for exchange shall (if so required by the Company or the Trustee) be duly endorsed, or be accompanied by a written instrument of transfer in form satisfactory to the Company and the Security Registrar duly executed, by the Holder thereof or his attorney duly authorized in writing.

No service charge shall be made for any registration of transfer or exchange of Junior Subordinated Notes, but the Company may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with any registration of transfer or exchange of Junior Subordinated Notes, other than exchanges pursuant to Section 304, 907 or 1107 not involving any transfer.

The Company shall not be required (i) to issue, to register the transfer of or to exchange Junior Subordinated Notes of any series during a period of 15 days immediately preceding the date notice is given identifying the serial numbers of the Junior Subordinated Notes of that series called for redemption, or (ii) to issue, to register the transfer of or to exchange any Junior Subordinated Notes so selected for redemption in whole or in part, except the unredeemed portion of any Junior Subordinated Note being redeemed in part.

None of the Company, the Trustee, any Paying Agent or the Security Registrar will have any responsibility or liability for any aspect of the records relating to or payments made on account of beneficial ownership interests of a Global Security or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

SECTION 304. MUTILATED, DESTROYED, LOST AND STOLEN JUNIOR SUBORDINATED NOTES.

If any mutilated Junior Subordinated Note is surrendered to the Trustee, the Company shall execute and the Trustee shall authenticate and deliver in exchange therefor a new Junior Subordinated Note of the same series, Stated Maturity and original issue date, and of like tenor and principal amount and bearing a number not contemporaneously outstanding.

If there shall be delivered to the Company and the Trustee (i) evidence to their satisfaction of the destruction, loss or theft of any Junior Subordinated Note and (ii) such security or indemnity as may be required by them to save each of them and any agent of either of them harmless, then, in the absence of notice to the Company or the Trustee that such Junior Subordinated Note has been acquired by a bona fide purchaser, the Company shall execute and upon its request the Trustee shall authenticate and deliver, in lieu of any such destroyed, lost or stolen Junior Subordinated Note, a new Junior Subordinated Note of the same series, Stated Maturity and original issue date, and of like tenor and principal amount and bearing a number not contemporaneously outstanding.

In case any such mutilated, destroyed, lost or stolen Junior Subordinated Note has become or is about to become due and payable, the Company in its discretion may, instead of issuing a new Junior Subordinated Note, pay such Junior Subordinated Note.

Upon the issuance of any new Junior Subordinated Note under this Section, the Company may require the payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in relation thereto and any other expenses (including the fees and expenses of the Trustee) connected therewith.

Every new Junior Subordinated Note of any series issued pursuant to this Section in lieu of any destroyed, lost or stolen Junior Subordinated Note shall constitute an original additional contractual obligation of the Company, whether or not the destroyed, lost or stolen Junior Subordinated Note shall be at any time enforceable by anyone, and any such new Junior Subordinated Note shall be entitled to all the benefits of this Indenture equally and proportionately with any and all other Junior Subordinated Notes of that series duly issued hereunder.

The provisions of this Section are exclusive and shall preclude (to the extent lawful) all other rights and remedies with respect to the replacement or payment of mutilated, destroyed, lost or stolen Junior Subordinated Notes.

SECTION 305. PAYMENT OF INTEREST; INTEREST RIGHTS PRESERVED.

Unless otherwise provided as contemplated by Section 301 with respect to any series of Junior Subordinated Notes, interest (including Additional Interest) on any Junior Subordinated Note that is payable, and is punctually paid or duly provided for, on any Interest Payment Date shall be paid to the Person in whose name that Junior Subordinated Note (or one or more Predecessor Securities) is registered at the close of business on the Regular Record Date for such interest.

Any interest (including Additional Interest) on any Junior Subordinated Note of any series that is payable, but is not punctually paid or duly provided for on any Interest Payment Date (herein called "Defaulted Interest") shall forthwith cease to be payable to the Holder on the relevant Regular Record Date by virtue of having been such Holder, and such Defaulted Interest may be paid by the Company, at its election in each case, as provided in Clause (1) or (2) below:

(1) The Company may elect to make payment of any Defaulted Interest to the Persons in whose names the Junior Subordinated Notes of such series (or their respective Predecessor Securities) are registered at the close of business on a Special Record Date for the payment of such

Defaulted Interest, which shall be fixed in the following manner. The Company shall notify the Trustee in writing of the amount of Defaulted Interest proposed to be paid on each Junior Subordinated Note of such series and the date of the proposed payment, and at the same time the Company shall deposit with the Trustee an amount of money equal to the aggregate amount proposed to be paid in respect of such Defaulted Interest or shall make arrangements satisfactory to the Trustee for such deposit prior to the date of the proposed payment, such money when deposited to be held in trust for the benefit of the Persons entitled to such Defaulted Interest as in this Clause provided. Thereupon the Trustee shall fix a Special Record Date for the payment of such Defaulted Interest which shall be not more than 15 days and not less than 10 days prior to the date of the proposed payment and not less than 10 days after the receipt by the Trustee of the notice of the proposed payment. The Trustee shall promptly notify the Company of such Special Record Date and, in the name and at the expense of the Company, shall cause notice of the proposed payment of such Defaulted Interest and the Special Record Date therefor to be mailed, first-class postage prepaid, to each Holder of Junior Subordinated Notes of such series at the address of such Holder as it appears in the Security Register, not less than 10 days prior to such Special Record Date. Notice of the proposed payment of such Defaulted Interest and the Special Record Date therefor having been so mailed, such Defaulted Interest shall be paid to the Persons in whose names the Junior Subordinated Notes of such series (or their respective Predecessor Securities) are registered at the close of business on such Special Record Date and shall no longer be payable pursuant to the following Clause (2).

(2) The Company may make payment of any Defaulted Interest (including Additional Interest, if any) on the Junior Subordinated Notes of any series in any other lawful manner not inconsistent with the requirements of any securities exchange on which such Junior Subordinated Notes may be listed, and upon such notice as may be required by such exchange, if, after notice given by the Company to the Trustee of the proposed payment pursuant to this Clause, such manner of payment shall be deemed practicable by the Trustee.

Subject to the foregoing provisions of this Section, each Junior Subordinated Note delivered under this Indenture upon registration of transfer of or in exchange for or in lieu of any other Junior Subordinated Note shall carry the rights to interest accrued (including Additional Interest, if any) and unpaid, and to accrue (including Additional Interest, if any), which were carried by such other Junior Subordinated Note.

SECTION 306. PERSONS DEEMED OWNERS.

Prior to due presentment of a Junior Subordinated Note for registration of transfer, the Company, the Trustee and any agent of the Company or the Trustee may treat the Person in whose name such Junior Subordinated Note is registered as the absolute owner of such Junior Subordinated Note for the purpose of receiving payment of principal of (and premium, if any) and (subject to Section 305) interest (including Additional Interest, if any) on such Junior Subordinated Note and for all other purposes whatsoever, whether or not such Junior Subordinated Note be overdue, and neither the Company, the Trustee nor any agent of the Company or the Trustee shall be affected by notice to the contrary.

SECTION 307. CANCELLATION.

All Junior Subordinated Notes surrendered for payment, redemption, registration of transfer or exchange or for credit against any sinking fund payment shall, if surrendered to any Person other than the Trustee, be delivered to the Trustee and shall be promptly cancelled by the Trustee. The Company may at any time deliver to the Trustee for cancellation any Junior Subordinated Notes previously authenticated and delivered hereunder which the Company may have acquired in any manner whatsoever, and all Junior Subordinated Notes so delivered shall be canceled by the Trustee. No Junior Subordinated Notes shall be authenticated in lieu of or in exchange for any Junior Subordinated Notes canceled as provided in this Section, except as expressly permitted by this Indenture. All cancelled Junior Subordinated Notes held by the Trustee shall be disposed of in accordance with a Company Order and the Trustee shall promptly deliver a certificate of disposition to the Company.

SECTION 308. COMPUTATION OF INTEREST.

Except as otherwise specified as contemplated by Section 301 for Junior Subordinated Notes of any series, interest on the Junior Subordinated Notes of each series shall be computed on the basis of a 360-day year consisting of twelve 30-day months.

ARTICLE FOUR

SATISFACTION AND DISCHARGE

SECTION 401. SATISFACTION AND DISCHARGE OF INDENTURE

This Indenture shall, upon Company Request, cease to be of further effect (except as to any surviving rights of registration of transfer or exchange of Junior Subordinated Notes herein expressly providad for) and the Trustee, at the expense of the

Company, shall execute proper instruments acknowledging satisfaction and discharge of this Indenture, when

(1) either

(A) all Junior Subordinated Notes theretofore authenticated and delivered (other than (i) Junior Subordinated Notes that have been destroyed, lost or stolen and that have been replaced as provided for in Section 304 and (ii) Junior Subordinated Notes for whose payment money has theretofore been deposited in trust or segregated and held in trust by the Company and thereafter repaid to the Company or discharged from such trust, as provided in Section 1003) have been delivered to the Trustee for cancellation; or

(B) all such Junior Subordinated Notes not theretofore delivered to the Trustee for cancellation have become due and payable, or have been called for redemption,

and the Company, in the case of (B) above, has deposited or caused to be deposited with the Trustee as funds in trust for the purpose described above an amount sufficient to pay and discharge the entire indebtedness on such Junior Subordinated Notes not theretofore delivered to the Trustee for cancellation, for principal (and premium, if any) and interest to the date of the Stated Maturity or Redemption Date, as the case may be, or if later, the date of payment;

(2) the Company has paid or caused to be paid all other sums payable hereunder by the Company; and

(3) the Company has delivered to the Trustee an Officers' Certificate and an Opinion of Counsel, each stating that all conditions precedent herein provided for relating to the satisfaction and discharge of this Indenture have been complied with.

In the event there are Junior Subordinated Notes of two or more series hereunder, the Trustee shall be required to execute an instrument acknowledging satisfaction and discharge of this Indenture only if requested to do so with respect to Junior Subordinated Notes of all series as to which it is Trustee and if the other conditions thereto are met. In the event there are two or more Trustees hereunder, then the effectiveness of any such instrument shall be conditioned upon receipt of such instruments from all Trustees hereunder.

If, subsequent to the date a discharge is effected pursuant to this Section 401, Additional Interest (in excess of that

established as of the date such discharge is effected) becomes payable in respect of the series of Junior Subordinated Notes discharged, in order to preserve the benefits of the discharge established hereunder, the Company shall irrevocably deposit or cause to be irrevocably deposited in accordance with the provisions of this Section 401, within ten Business Days prior to the date the first payment in respect of any portion of such excess Additional Interest becomes due, such additional funds as are necessary to satisfy the provisions of this Section 401 as if a discharge were being effected as of the date of such subsequent deposit. Failure to comply with the requirements of this paragraph shall result in the termination of the benefits of the discharge established by this Section 401.

Notwithstanding the satisfaction and discharge of this Indenture, the obligations of the Company to the Trustee under Section 607, the obligations of the Trustee to any Authenticating Agent under Section 614 and, if money shall have been deposited with the Trustee pursuant to subclause (B) of clause (1) of this Section, the obligations of the Trustee under Section 402 and the last paragraph of Section 1003 shall survive.

SECTION 402. APPLICATION OF TRUST MONEY.

Subject to the provisions of the last paragraph of Section 1003, all money deposited with the Trustee pursuant to Section 401 shall be held in trust and applied by it, in accordance with the provisions of the Junior Subordinated Notes, and this Indenture, to the payment, either directly or through any Paying Agent (including the Company or an Affiliate acting as its own Paying Agent) as the Trustee may determine, to the Persons entitled thereto, of the principal (and premium, if any) and interest for whose payment such money has been deposited with the Trustee.

ARTICLE FIVE

REMEDIES

SECTION 501. EVENTS OF DEFAULT.

"Event of Default", wherever used herein with respect to Junior Subordinated Notes of any series, means any one of the following events (whatever the reason for such Event of Default and whether it shall be voluntary or involuntary or be effected by operation of law or pursuant to any judgment, decree or order of any court or any order, rule or regulation of any administrative or governmental body or occasioned by the operation of Article Thirteen):

(1) default in the payment of any interest upon any Junior Subordinated Note of that series when it becomes due

and payable on an Interest Payment Date other than at Maturity, including Additional Interest (as defined in clause (ii) of the definition thereof) in respect thereof, and continuance of such default for a period of ten (10) days; provided, however, that (i) a valid extension of the interest payment period by the Company pursuant to the terms of a supplemental indenture authorizing the Junior Subordinated Notes of that series shall not constitute a default in the payment of interest for this purpose and (ii) no such default shall be deemed to exist if, on or prior to the date on which such interest became due, the Company shall have made a payment sufficient to pay such interest pursuant to the Guarantee related to the Trust Securities of the Securities Trust owning such series of Junior Subordinated Notes, and shall have delivered a notice to the Trustee to that effect; or

(2) default in payment of Additional Interest (as defined in clause (i) of the definition thereof) and the continuance of such default for a period of ten (10) days; or

(3) default in the payment of the principal of, (or premium, if any) or interest (including Additional Interest as defined in clause (ii) of the definition thereof) on any Junior Subordinated Note of that series at its Maturity; provided, however, thet no such default in the payment of principal (or premium, if any) or interest (including Additional Interest as defined in clause (ii) of the definition thereof) shall be deemed to exist if, on or prior to the date such principal (and premium, if any) or interest (including Additional Interest as defined in clause (ii) of the definition thereof) became due, the Company shall have made a payment sufficient to pay such principal (and premium, if any) or interest (including Additional Interest as defined in clause (ii) of the definition thereof) pursuant to the Guarantee related to the Trust Securities of the Securities Trust owning such series of Junior Subordinated Notes, and shall have delivered a notice to the Trustee to that effect; or

(4) default in the deposit of any sinking fund payment, when and as due by the terms of a Junior Subordinated Note of that series and continuance of such default for a period of 3 Business Days; or

(5) default in the performance or breach of any covenant or warranty of the Company in this Indenture (other than a covenant or warranty a default in whose performance or whose breach is elsewhere in this Section specifically dealt with or which has expressly been included in this Indenture solely for the benefit of one or more series of Junior

Subordinated Notes other than that series), and continuance of such default or breach for a period of 90 days after there has been given, by registered or certified mail, to the Company by the Trustee, or to the Company and the Trustee by the Holders of at least 25% in principal amount of the Outstanding Junior Subordinated Notes of that series, a written notice specifying such default or breach and requiring it to be remedied and stating that such notice is a "Notice of Default" hereunder; or

(6) the entry by a court having jurisdiction in the premises of (A) a decree or order for relief in respect of the Company in an involuntary case or proceeding under any applicable federal or state bankruptcy, insolvency, reorganization or other similar law or (B) a decree or order adjudging the Company a bankrupt or insolvent, or approving as properly filed a petition by one or more Persons other than the Company seeking reorganization, arrangement, adjustment or composition of or in respect of the Company under any applicable federal or state law, or appointing a custodian, receiver, liquidator, assignee, trustee, sequestrator or other similar official for the Company or for any substantial part of its property, or ordering the winding up or liquidation of its affairs, and the continuance of any such decree or order for relief or any such other decree or order unstayed and in effect for a period of 90 consecutive days; or

(7) the commencement by the Company of a case or proceeding under any applicable federal or state bankruptcy, insolvency, reorganization or other similar law or of any other case or proceeding to be adjudicated a bankrupt or insolvent, or the consent by it to the entry of a decree or order for relief in respect of the Company in a case or proceeding under any applicable federal or state bankruptcy, insolvency, reorganization or other similar law or to the commencement of any bankruptcy or insolvency case or proceeding against it, or the filing by it of a petition or answer or consent seeking reorganization or relief under any applicable federal or state law, or the consent by it to the filing of such petition or to the appointment of or taking possession by a custodian, receiver, liquidator, assignee, trustee, sequestrator or similar official of the Company or of any substantial part of its property, or the making by it of an assignment for the benefit of creditors, or the admission by it in writing of its inability to pay its debts generally as they become due, or the taking of corporate action by the Company in furtherance of any such action; or

(8) any other Event of Default provided with respect to Junior Subordinated Notes of that series in the supplemental indenture authorizing such series.

SECTION 502. ACCELERATION OF MATURITY; RESCISSION AND ANNULMENT.

If an Event of Default with respect to Junior Subordinated Notes of any series at the time Outstanding occurs and is continuing, then in every such case the Trustee or the Holders of not less than 25% in principal amount of the Outstanding Junior Subordinated Notes of that series may declare the principal amount (or such portion of the principal amount as may be specified in the terms of that series) of all of the Junior Subordinated Notes of that series to be due and payable immediately, by a notice in writing to the Company (and to the Trustee if given by Holders), and upon any such declaration such principal amount (or specified amount) shall become immediately due and payable.

At any time after such a declaration of acceleration with respect to Junior Subordinated Notes of any series has been made and before a judgment or decree for payment of the money due has been obtained by the Trustee as hereinafter in this Article provided, the Holders of not less than a majority in principal amount of the Outstanding Junior Subordinated Notes of that series, by written notice to the Company and the Trustee, may rescind and annul such declaration and its consequences if

(1) the Company has paid or deposited with the Trustee a sum sufficient to pay

(A) all overdue interest (including any Additional Interest) on all Junior Subordinated Notes of that series,

(B) the principal of (and premium, if any) any Junior Subordinated Notes of that series which have become due otherwise than by such declaration of acceleration and interest thereon at the rate or rates prescribed therefor in such Junior Subordinated Notes,

(C) to the extent that payment of such interest is lawful, interest upon overdue interest (including any Additional Interest) at the rate or rates prescribed therefor in such Junior Subordinated Notes, and

(D) all sums paid or advanced by the Trustee hereunder and the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents

and counsel, and any other amounts due to the Trustee under Section 607; and

(2) all Events of Default with respect to Junior Subordinated Notes of that series, other than the non-payment of the principal of Junior Subordinated Notes of that series which have become due solely by such declaration of acceleration, have been cured or waived as provided in Section 513.

No such rescission shall affect any subsequent default or impair any right consequent thereon.

SECTION 503. COLLECTION OF INDEBTEDNESS AND SUITS FOR ENFORCEMENT BY TRUSTEE.

The Company covenants that if an Event of Default occurs under Section 501(1), (2), (3) or (4) with respect to any Junior Subordinated Notes the Company will, upon demand of the Trustee, pay to it, for the benefit of the Holders of such Junior Subordinated Notes, the whole amount then due and payable on such Junior Subordinated Notes for principal (and premium, if any) and interest (including Additional Interest, if any) and, to the extent that payment of such interest shall be legally enforceable, interest on any overdue principal (and premium, if any) and on any overdue interest (including Additional Interest, if any), at the rate or rates prescribed therefor in such Junior Subordinated Notes, and, in addition thereto, such further amount as shall be sufficient to cover the costs and expenses of collection, including the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel, and any other amounts due to the Trustee under Section 607.

If the Company fails to pay such amounts forthwith upon such demand, the Trustee, in its own name and as trustee of an express trust, may institute a judicial proceeding for the collection of the sums so due and unpaid, may prosecute such proceeding to judgment or final decree and may enforce the same against the Company or any other obligor upon such Junior Subordinated Notes and collect the moneys adjudged or decreed to be payable in the manner provided by law out of the property of the Company or any other obligor upon such Junior Subordinated Notes, wherever situated.

If an Event of Default with respect to Junior Subordinated Notes of any series occurs and is continuing, the Trustee may in its discretion proceed to protect and enforce its rights and the rights of the Holders of Junior Subordinated Notes of such series by such appropriate judicial proceedings as the Trustee shall deem most effectual to protect and enforce any such rights, whether for the specific enforcement of any covenant or agreement in this

Indenture or in aid of the exercise of any power granted herein, or to enforce any other proper remedy.

SECTION 504. TRUSTEE MAY FILE PROOFS OF CLAIM.

In case of the pendency of any receivership, insolvency, liquidation, bankruptcy, reorganization, arrangement, adjustment, composition or other judicial proceeding relative to the Company or any other obligor upon the Junior Subordinated Notes or the property of the Company or of such other obligor or their creditors, the Trustee (irrespective of whether the principal of the Junior Subordinated Notes shall then be due and payable as therein expressed or by declaration or otherwise and irrespective of whether the Trustee shall have made any demand on the Company for the payment of overdue principal or interest) shall be entitled and empowered, by intervention in such proceeding or otherwise,

(1) to file and prove a claim for the whole amount of principal (and premium, if any) and interest owing and unpaid in respect of the Junior Subordinated Notes and to file such other papers or documents as may be necessary or advisable in order to have the claims of the Trustee (including any claim for the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel, and any other amounts due to the Trustee under Section 607) and of the Holders of Junior Subordinated Notes allowed in such judicial proceeding, and

(2) to collect and receive any moneys or other property payable or deliverable on any such claims and to distribute the same;

and any custodian, receiver, assignee, trustee, liquidator, sequestrator or other similar official in any such judicial proceeding is hereby authorized by each Holder of Junior Subordinated Notes to make such payments to the Trustee and, in the event that the Trustee shall consent to the making of such payments directly to the Holders of Junior Subordinated Notes, to pay to the Trustee any amount due it for the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel, and any other amounts due the Trustee under Section 607.

Nothing herein contained shall be deemed to authorize the Trustee to authorize or consent to or accept or adopt on behalf of any Holder of a Junior Subordinated Note any plan of reorganization, arrangement, adjustment or composition affecting the Junior Subordinated Notes or the rights of any Holder thereof or to authorize the Trustee to vote in respect of the claim of any Holder of a Junior Subordinated Note in any such proceeding.

SECTION 505. TRUSTEE MAY ENFORCE CLAIMS WITHOUT POSSESSION OF JUNIOR SUBORDINATED NOTES.

All rights of action and claims under this Indenture or the Junior Subordinated Notes may be prosecuted and enforced by the Trustee without the possession of any of the Junior Subordinated Notes or the production thereof in any proceeding relating thereto, and any such proceeding instituted by the Trustee shall be brought in its own name as trustee of an express trust, and any recovery of judgment shall, after provision for the payment of the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel, be for the ratable benefit of the Holders of the Junior Subordinated Notes in respect of which such judgment has been recovered.

SECTION 506. APPLICATION OF MONEY COLLECTED.

Any money collected by the Trustee pursuant to this Article shall be applied in the following order, at the date or dates fixed by the Trustee and, in case of the distribution of such money on account of principal (or premium, if any) or interest, upon presentation of the Junior Subordinated Notes, and the notation thereon of the payment if only partially paid and upon surrender thereof if fully paid:

First: To the payment of all amounts due the Trustee under Section 607; and

Second: Subject to Article Thirteen, to the payment of the amounts then due and unpaid for principal of (and premium, if any) and interest (including Additional Interest, if any) on the Junior Subordinated Notes in respect of which or for the benefit of which such money has been collected, ratably, without preference or priority of any kind, according to the amounts due and payable on such Junior Subordinated Notes for principal (and premium, if any) and interest (including Additional Interest, if any), respectively; and

Third: The balance, if any, to the Person or Persons entitled thereto.

SECTION 507. LIMITATION ON SUITS.

No Holder of any Junior Subordinated Note of any series shall have any right to institute any proceeding, judicial or otherwise, with respect to this Indenture, or for the appointment of a receiver or trustee, or for any other remedy hereunder, unless:

(1) such Holder has previously given written notice to the Trustee of a continuing Event of Default with respect to the Junior Subordinated Notes of that series;

(2) the Holders of not less than 25% in principal amount of the Outstanding Junior Subordinated Notes of that series shall have made written request to the Trustee to institute proceedings in respect of such Event of Default in its own name as Trustee hereunder;

(3) such Holder or Holders have offered to the Trustee reasonable indemnity against the costs, expenses and liabilities to be incurred in compliance with such request;

(4) the Trustee for 60 days after its receipt of such notice, request and offer of indemnity has failed to institute any such proceeding; and

(5) no direction inconsistent with such written request has been given to the Trustee during such 60-day period by the Holders of a majority in principal amount of the Outstanding Junior Subordinated Notes of that series;

it being understood and intended that no one or more of such Holders shall have any right in any manner whatsoever by virtue of, or by availing of, any provision of this Indenture to affect, disturb or prejudice the rights of any other of such Holders or to obtain or to seek to obtain priority or preference over any other of such Holders or to enforce any right under this Indenture, except in the manner herein provided and for the equal and ratable benefit of all of such Holders.

SECTION 508. UNCONDITIONAL RIGHT OF HOLDERS TO RECEIVE PRINCIPAL, PREMIUM AND INTEREST.

Notwithstanding any other provision in this Indenture but subject to Article Thirteen, (1) the Holder of any Junior Subordinated Notes shall have the right, which is absolute and unconditional, to receive payment of the principal of (and premium, if any) and (subject to Section 305) interest (including any Additional Interest) on such Junior Subordinated Note on the due dates expressed in such Junior Subordinated Note (or, in the case of redemption, on the Redemption Date) and to institute suit for the enforcement of any such payment, and such rights shall not be impaired without the consent of such Holder; and (2) so long as the Junior Subordinated Notes of any series are held by a Securities Trust, a registered holder of preferred securities issued by such Securities Trust may institute a legal proceeding directly against the Company, without first instituting a legal proceeding directly against or requesting or directing that action be taken by the Property Trustee of such Securities Trust or any

other Person, for enforcement of payment to such registered holder of principal of or interest on Junior Subordinated Notes of such series having a principal amount equal to the aggregate stated liquidation amount of such preferred securities of such registered holder on or after the due dates therefor specified or provided for in the Junior Subordinated Notes of such series.

SECTION 509. RESTORATION OF RIGHTS AND REMEDIES.

If the Trustee or any Holder of a Junior Subordinated Note has instituted any proceeding to enforce any right or remedy under this Indenture and such proceeding has been discontinued or abandoned for any reason, or has been determined adversely to the Trustee or to such Holder, then and in every such case, subject to any determination in such proceeding, the Company, the Trustee and the Holders of Junior Subordinated Notes shall be restored severally and respectively to their former positions hereunder and thereafter all rights and remedies of the Trustee and the Holders shall continue as though no such proceeding had been instituted.

SECTION 510. RIGHTS AND REMEDIES CUMULATIVE.

Except as otherwise provided with respect to the replacement or payment of mutilated, destroyed, lost or stolen Junior Subordinated Notes in the last paragraph of Section 304, no right or remedy herein conferred upon or reserved to the Trustee or to the Holders of Junior Subordinated Notes is intended to be exclusive of any other right or remedy, and every right and remedy shall, to the extent permitted by law, be cumulative and in addition to every other right and remedy given hereunder or now or hereafter existing at law or in equity or otherwise. The assertion or employment of any right or remedy hereunder, or otherwise, shall not prevent the concurrent assertion or employment of any other appropriate right or remedy.

SECTION 511. DELAY OR OMISSION NOT WAIVER.

No delay or omission of the Trustee or of any Holder of any Junior Subordinated Note to exercise any right or remedy upon any Event of Default shall impair any such right or remedy or constitute a waiver of any such Event of Default or an acquiescence therein. Every right and remedy given by this Article or by law to the Trustee or to the Holders of Junior Subordinated Notes may be exercised from time to time, and as often as may be deemed expedient, by the Trustee or by the Holders of Junior Subordinated Notes.

SECTION 512. CONTROL BY HOLDERS OF JUNIOR SUBORDINATED NOTES.

The Holders of not less than a majority in principal amount of the Outstanding Junior Subordinated Notes of any series shall

have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred on the Trustee, with respect to the Junior Subordinated Notes of such series, provided that

(1) such direction shall not be in conflict with any rule of law or with this Indenture, and could not involve the Trustee in personal liability in circumstances where reasonable indemnity would not be adequate, and

(2) the Trustee may take any other action deemed proper by the Trustee which is not inconsistent with such direction.

SECTION 513. WAIVER OF PAST DEFAULTS.

The Holders of not less than a majority in principal amount of the Outstanding Junior Subordinated Notes of any series may, on behalf of the Holders of all the Junior Subordinated Notes of such series, waive any past default hereunder with respect to such series and its consequences, except a default

(1) in the payment of the principal of (or premium, if any) or interest (including Additional Interest) on any Junior Subordinated Note of such series, or

(2) in respect of a covenant or provision hereof which under Article Nine cannot be modified or amended without the consent of the Holder of each Outstanding Junior Subordinated Note of such series affected.

Upon any such waiver, such default shall cease to exist, and any Event of Default arising therefrom shall be deemed to have been cured, for every purpose of this Indenture; but no such waiver shall extend to any subsequent or other default or impair any right consequent thereon.

SECTION 514. UNDERTAKING FOR COSTS.

All parties to this Indenture agree, and each Holder of any Junior Subordinated Note by his acceptance thereof shall be deemed to have agreed, that any court may in its discretion require, in any suit for the enforcement of any right or remedy under this Indenture, or in any suit against the Trustee for any action taken, suffered or omitted by it as Trustee, the filing by any party litigant in such suit of an undertaking to pay the costs of such suit, and that such court may in its discretion assess reasonable costs, including reasonable attorneys' fees, against any party litigant in such suit, having due regard to the merits and good faith of the claims or defenses made by such party

litigant; but the provisions of this Section shall not apply to any suit instituted by the Company, to any suit instituted by the Trustee, to any suit instituted by any Holder, or group of Holders, holding in the aggregate more than 10% in principal amount of the Outstanding Junior Subordinated Notes of any series, or to any suit instituted by any Holder of any Junior Subordinated Note for the enforcement of the payment of the principal of (or premium, if any) or interest (including Additional Interest) on any Junior Subordinated Note on or after the Stated Maturity or Maturities expressed in such Junior Subordinated Note (or, in the case of redemption, on or after the Redemption Date).

SECTION 515. WAIVER OF STAY OR EXTENSION LAWS.

The Company covenants (to the extent that it may lawfully do so) that it will not at any time insist upon, or plead, or in any manner whatsoever claim or take the benefit or advantage of, any stay or extension law wherever enacted, now or at any time hereafter in force, which may affect the covenants or the performance of this Indenture; and the Company (to the extent that it may lawfully do so) hereby expressly waives all benefit or advantage of any such law and covenants that it will not hinder, delay or impede the execution of any power herein granted to the Trustee, but will suffer and permit the execution of every such power as though no such law had been enacted.

ARTICLE SIX

THE TRUSTEE

SECTION 601. CERTAIN DUTIES AND RESPONSIBILITIES.

(a) Except during the continuance of an Event of Default with respect to Junior Subordinated Notes of any series,

(1) the Trustee undertakes to perform, with respect to Junior Subordinated Notes of such series, such duties and only such duties as are specifically set forth in this Indenture, and no implied covenants or obligations shall be read into this Indenture against the Trustee; and

(2) in the absence of bad faith on its part, the Trustee may, with respect to Junior Subordinated Notes of such series, conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates or opinions furnished to the Trustee and conforming to the requirements of this Indenture; but in the case of any such certificates or opinions which by any provision hereof are specifically required to be furnished to the Trustee, the Trustee shall be under a duty

to examine the same to determine whether or not they conform to the requirements of this Indenture.

(b) In case an Event of Default with respect to Junior Subordinated Notes of any series has occurred and is continuing, the Trustee shall exercise, with respect to Junior Subordinated Notes of such series, such of the rights and powers vested in it by this Indenture, and use the same degree of care and skill in their exercise, as a prudent man would exercise or use under the circumstances in the conduct of his own affairs.

(c) No provision of this Indenture shall be construed to relieve the Trustee from liability for its own negligent action, its own negligent failure to act, or its own wilful misconduct, except that

(1) this Subsection shall not be construed to limit the effect of Subsection (a) of this Section;

(2) the Trustee shall not be liable for any error of judgment made in good faith by a Responsible Officer, unless it shall be proved that the Trustee was negligent in ascertaining the pertinent facts;

(3) the Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Holders of a majority in principal amount of the Outstanding Junior Subordinated Notes of any series relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee, under this Indenture with respect to the Junior Subordinated Notes of such series; and

(4) no provision of this Indenture shall require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder, or in the exercise of any of its rights or powers, if it shall have reasonable grounds for believing that repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it.

(d) Whether or not therein expressly so provided, every provision of this Indenture relating to the conduct or affecting the liability of or affording protection to the Trustee shall be subject to the provisions of this Section.

SECTION 602. NOTICE OF DEFAULTS.

Within 90 days after the occurrence of any default hereunder with respect to the Junior Subordinated Notes of any series, the

Trustee shall transmit by mail to all Holders of Junior Subordinated Notes of such series entitled to receive reports pursuant to Section 313(c) of the Trust Indenture Act, notice of all defaults hereunder known to the Trustee, unless such default shall have been cured or waived; provided, however, that, except in the case of a default in the payment of the principal of (or premium, if any) or interest (including Additional Interest) on any Junior Subordinated Note of such series or in the payment of any sinking fund installment with respect to Junior Subordinated Notes of such series, the Trustee shall be protected in withholding such notice if and so long as the board of directors, the executive committee or a trust committee of directors or Responsible Officers of the Trustee in good faith determine that the withholding of such notice is in the interest of the Holders of Junior Subordinated Notes of such series; and provided, further, that in the case of any default of the character specified in Section 501(5) with respect to Junior Subordinated Notes of such series, no such notice to Holders shall be given until at least 45 days after the occurrence thereof. For the purpose of this Section, the term "default" means any event which is, or after notice or lapse of time or both would become, an Event of Default with respect to Junior Subordinated Notes of such series.

SECTION 603. CERTAIN RIGHTS OF TRUSTEE.

Subject to the provisions of Section 601:

(a) the Trustee may rely and shall be protected in acting or refraining from acting upon any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, debenture, note, other evidence of indebtedness or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties;

(b) any request or direction of the Company mentioned herein shall be sufficiently evidenced by a Company Request or Company Order and a resolution of the Board of Directors may be sufficiently evidenced by a Board Resolution;

(c) whenever in the administration of this Indenture the Trustee shall deem it desirable that a matter be proved or established prior to taking, suffering or omitting any action hereunder, the Trustee (unless other evidence be herein specifically prescribed) may, in the absence of bad faith on its part, rely upon an Officers' Certificate;

(d) the Trustee may consult with counsel and the written advice of such counsel or any Opinion of Counsel shall be full and complete authorization and protection in

respect of any action taken, suffered or omitted by it hereunder in good faith and in reliance thereon;

(e) the Trustee shall be under no obligation to exercise any of the rights or powers vested in it by this Indenture at the request or direction of any of the Holders of Junior Subordinated Notes of any series pursuant to this Indenture, unless such Holders shall have offered to the Trustee reasonable security or indemnity against the costs, expenses and liabilities which might be incurred by it in compliance with such request or direction;

(f) the Trustee shall not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, debenture, note, other evidence of indebtedness or other paper or document, but the Trustee, in its discretion, may make such further inquiry or investigation into such facts or matters as it may see fit, and, if the Trustee shall determine to make such further inquiry or investigation, it shall be entitled to examine the books, records and premises of the Company, personally or by agent or attorney;

(g) the Trustee may execute any of the trusts or powers hereunder or perform any duties hereunder either directly or by or through agents or attorneys and the Trustee shall not be responsible for any misconduct or negligence on the part of any agent or attorney appointed with due care by it hereunder; and

(h) the Trustee shall not be charged with knowledge of any Event of Default with respect to the Junior Subordinated Notes of any series for which it is acting as Trustee unless either (1) a Responsible Officer of the Trustee assigned to the Corporate Trustee Administration Department and agency group of the Trustee (or any successor division or department of the Trustee) shall have actual knowledge of the Event of Default or (2) written notice of such Event of Default shall have been given to the Trustee by the Company, any other obligor on such Junior Subordinated Notes or by any Holder of such Junior Subordinated Notes.

SECTION 604. NOT RESPONSIBLE FOR RECITALS OR ISSUANCE OF JUNIOR SUBORDINATED NOTES.

The recitals contained herein and in the Junior Subordinated Notes (except the Trustee's certificates of authentication) shall be taken as the statements of the Company, and the Trustee or any

Authenticating Agent assumes no responsibility for their correctness. The Trustee makes no representations as to the validity or sufficiency of this Indenture or of the Junior Subordinated Notes. The Trustee or any Authenticating Agent shall not be accountable for the use or application by the Company of Junior Subordinated Notes or the proceeds thereof.

The Trustee shall not be deemed to owe any fiduciary duty to the holders of Trust Securities and shall be entitled to rely on the delivery to it of a written notice by a Person representing himself to be a holder of a Trust Security to establish that such Person is such a holder. The Trustee may conclusively rely on an Officers' Certificate as evidence that the holders of the necessary percentage of liquidation preference of Trust Securities have taken any action contemplated hereunder and shall have no duty to investigate the truth or accuracy of any statement contained therein.

SECTION 605. MAY HOLD JUNIOR SUBORDINATED NOTES.

The Trustee, any Authenticating Agent, any Paying Agent, any Security Registrar or any other agent of the Company, in its individual or any other capacity, may become the owner or pledgee of Junior Subordinated Notes and, subject to Sections 608 and 613, may otherwise deal with the Company with the same rights it would have if it were not Trustee, Authenticating Agent, Paying Agent, Security Registrar or such other agent.

SECTION 606. MONEY HELD IN TRUST.

Money held by the Trustee in trust hereunder need not be segregated from other funds except to the extent required by law. The Trustee shall be under no liability for interest on any money received by it hereunder except as otherwise agreed with the Company.

SECTION 607. COMPENSATION AND REIMBURSEMENT.

The Company agrees

(1) to pay to the Trustee from time to time reasonable compensation for all services rendered by it hereunder (which compensation shall not be limited by any provision of law in regard to the compensation of a trustee of an express trust);

(2) except as otherwise expressly provided herein, to reimburse the Trustee upon its request for all reasonable expenses, disbursements and advances incurred or made by the Trustee in accordance with any provision of this Indenture (including the reasonable compensation and the expenses and disbursements of its agents and counsel), except any such

expense, disbursement or advance as may be attributable to its negligence, willful misconduct or bad faith; and

(3) to indemnify the Trustee for, and to hold it harmless against, any loss, liability or expense incurred without negligence, willful misconduct or bad faith on its part, arising out of or in connection with the acceptance or administration of the trust or trusts hereunder, including the costs and expenses of defending itself against any claim or liability in connection with the exercise or performance of any of its powers or duties hereunder.

As security for the performance of the obligations of the Company under this Section the Trustee shall have a lien prior to the Junior Subordinated Notes upon all property and funds held or collected by the Trustee as such, except funds held in trust for the payment of principal of, premium, if any, or interest, if any, on particular Junior Subordinated Notes.

SECTION 608. DISQUALIFICATION; CONFLICTING INTERESTS.

If the Trustee has or shall acquire any conflicting interest, within the meaning of the Trust Indenture Act, it shall, within 90 days after ascertaining that it has such conflicting interest, either eliminate such conflicting interest or resign, to the extent and in the manner provided by, and subject to the provisions of, the Trust Indenture Act and this Indenture.

SECTION 609. CORPORATE TRUSTEE REQUIRED; ELIGIBILITY.

There shall at all times be a Trustee hereunder which shall be a corporation organized and doing business under the laws of the United States of America, any State thereof or the District of Columbia, authorized under such laws to exercise corporate trust powers, having a combined capital and surplus of at least $50,000,000, subject to supervision or examination by federal or state authority and qualified and eligible under this Article and otherwise permitted by the Trust Indenture Act to act as Trustee under an Indenture qualified under the Trust Indenture Act. If such corporation publishes reports of condition at least annually, pursuant to law or to the requirements of said supervising or examining authority, then for the purposes of this Section, the combined capital and surplus of such corporation shall be deemed to be its combined capital surplus as set forth in its most recent report of condition so published. If at any time the Trustee shall cease to be eligible in accordance with the provisions of this Section, it shall resign immediately in the manner and with the effect hereinafter specified in this Article.

SECTION 610. RESIGNATION AND REMOVAL; APPOINTMENT OF SUCCESSOR.

(a) No resignation or removal of the Trustee and no appointment of a successor Trustee pursuant to this Article shall become effective until the acceptance of appointment by the successor Trustee in accordance with the applicable requirements of Section 611.

(b) The Trustee may resign at any time with respect to the Junior Subordinated Notes of one or more series by giving written notice thereof to the Company. If the instrument of acceptance by a successor Trustee required by Section 611 shall not have been delivered to the Trustee within 30 days after the giving of such notice of resignation, the resigning Trustee may petition any court of competent jurisdiction for the appointment of a successor Trustee with respect to the Junior Subordinated Notes of such series.

(c) The Trustee may be removed at any time with respect to the Junior Subordinated Notes of any series by Act of the Holders of a majority in principal amount of the Outstanding Junior Subordinated Notes of such series delivered to the Trustee and to the Company.

(d) If at any time:

(1) the Trustee shall fail to comply with Section 608 after written request therefor by the Company or by any Holder of a Junior Subordinated Note who has been a Holder of a Junior Subordinated Note for at least six months, or

(2) the Trustee shall cease to be eligible under Section 609 and shall fail to resign after written request therefor by the Company or by any such Holder, or

(3) the Trustee shall become incapable of acting or shall be adjudged a bankrupt or insolvent or a receiver of the Trustee or of its property shall be appointed or any public officer shall take charge or control of the Trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation,

then, in any such case, (i) the Company, by a Board Resolution, may remove the Trustee with respect to all Junior Subordinated Notes, or (ii) subject to Section 514, any Holder of a Junior Subordinated Note who has been a bona fide Holder of a Junior Subordinated Note for at least six months may, on behalf of himself and all others similarly situated, petition any court of competent jurisdiction for the removal of the Trustee with respect to all Junior Subordinated Notes and the appointment of a successor Trustee or Trustees.

(e) If the Trustee shall resign, be removed or become incapable of acting, or if a vacancy shall occur in the office of Trustee for any cause, with respect to the Junior Subordinated Notes of one or more series, the Company, by a Board Resolution, shall promptly appoint a successor Trustee or Trustees with respect to the Junior Subordinated Notes of that or those series (it being understood that any such successor Trustee may be appointed with respect to the Junior Subordinated Notes of one or more or all of such series and that at any time there shall be only one Trustee with respect to the Junior Subordinated Notes of any particular series) and shall comply with the applicable requirements of Section 611. If, within one year after such resignation, removal or incapability, or the occurrence of such vacancy, a successor Trustee with respect to the Junior Subordinated Notes of any series shall be appointed by Act of the Holders of a majority in principal amount of the Outstanding Junior Subordinated Notes of such series delivered to the Company and the retiring Trustee, the successor Trustee so appointed shall, forthwith upon its acceptance of such appointment in accordance with the applicable requirements of Section 611, become the successor Trustee with respect to the Junior Subordinated Notes of such series and to that extent supersede the successor Trustee appointed by the Company. If no successor Trustee with respect to the Junior Subordinated Notes of any series shall have been so appointed by the Company or the Holders of Junior Subordinated Notes and accepted appointment in the manner required by Section 611, any Holder of a Junior Subordinated Note who has been a bona fide Holder of a Junior Subordinated Note of such series for at least six months may, on behalf of himself and all others similarly situated, petition any court of competent jurisdiction for the appointment of a successor Trustee with respect to the Junior Subordinated Notes of such series.

(f) The Company shall give notice of each resignation and each removal of the Trustee with respect to the Junior Subordinated Notes of any series and each appointment of a successor Trustee with respect to the Junior Subordinated Notes of any series by mailing written notice of such event by first-class mail, postage prepaid, to all Holders of such series of Junior Subordinated Notes as their names and addresses appear in the Security Register.

SECTION 611. ACCEPTANCE OF APPOINTMENT BY SUCCESSOR.

(a) In case of the appointment hereunder of a successor Trustee with respect to all Junior Subordinated Notes, every such successor Trustee so appointed shall execute, acknowledge and deliver to the Company and to the retiring Trustee an instrument accepting such appointment, and thereupon the resignation or removal of the retiring Trustee shall become effective and such

successor Trustee, without any further act, deed or conveyance, shall become vested with all the rights, powers, trusts and duties of the retiring Trustee; but, on the request of the Company or the successor Trustee, such retiring Trustee shall, upon payment of its charges, execute and deliver an instrument transferring to such successor Trustee all the rights, powers and trusts of the retiring Trustee and shall duly assign, transfer and deliver to such successor Trustee all property and money held by such retiring Trustee hereunder.

(b) In case of the appointment hereunder of a successor Trustee with respect to the Junior Subordinated Notes of one or more (but not all) series, the Company, the retiring Trustee and each successor Trustee with respect to the Junior Subordinated Notes of one or more series shall execute and deliver an indenture supplemental hereto wherein each successor Trustee shall accept such appointment and which (1) shall contain such provisions as shall be necessary or desirable to transfer and confirm to, and to vest in, each successor Trustee all the rights, powers, trusts and duties of the retiring Trustee with respect to the Junior Subordinated Notes of that or those series to which the appointment of such successor Trustee relates, (2) if the retiring Trustee is not retiring with respect to all Junior Subordinated Notes, shall contain such provisions as shall be deemed necessary or desirable to confirm that all the rights, powers, trusts and duties of the retiring Trustee with respect to the Junior Subordinated Notes of that or those series as to which the retiring Trustee is not retiring shall continue to be vested in the retiring Trustee, and (3) shall add to or change any of the provisions of this Indenture as shall be necessary to provide for or facilitate the administration of the trusts hereunder by more than one Trustee, it being understood that nothing herein or in such supplemental indenture shall constitute such Trustees co-trustees of the same trust and that each such Trustee shall be trustee of a trust or trusts hereunder separate and apart from any trust or trusts hereunder administered by any other such Trustee; and upon the execution and delivery of such supplemental indenture the resignation or removal of the retiring Trustee shall become effective to the extent provided therein and each such successor Trustee, without any further act, deed or conveyance, shall become vested with all the rights, powers, trusts and duties of the retiring Trustee with respect to the Junior Subordinated Notes of that or those series to which the appointment of such successor Trustee relates; but, on request of the Company or any successor Trustee, such retiring Trustee shall duly assign, transfer and deliver to such successor Trustee all property and money held by such retiring Trustee hereunder with respect to the Junior Subordinated Notes of that or those series to which the appointment of such successor Trustee relates.

(c) Upon request of any such successor Trustee, the Company shall execute any and all instruments for more fully and certainly vesting in and confirming to such successor Trustee all such rights, powers and trusts referred to in paragraph (a) or (b) of this Section, as the case may be.

(d) No successor Trustee shall accept its appointment unless at the time of such acceptance such successor Trustee shall be qualified and eligible under this Article.

SECTION 612. MERGER, CONVERSION, CONSOLIDATION OR SUCCESSION TO BUSINESS.

Any corporation into which the Trustee may be merged or converted or with which it may be consolidated, or any corporation resulting from any merger, conversion or consolidation to which the Trustee shall be a party, or any corporation succeeding to all or substantially all the corporate trust business of the Trustee, shall be the successor of the Trustee hereunder, provided such corporation shall be otherwise qualified and eligible under this Article, without the execution or filing of any paper or any further act on the part of any of the parties hereto. In case any Junior Subordinated Notes shall have been authenticated, but not delivered, by the Trustee then in office, any successor by merger, conversion or consolidation to such authenticating Trustee may adopt such authentication and deliver the Junior Subordinated Notes so authenticated with the same effect as if such successor Trustee had itself authenticated such Junior Subordinated Notes.

SECTION 613. PREFERENTIAL COLLECTION OF CLAIMS AGAINST COMPANY

If and when the Trustee shall be or become a creditor of the Company (or any other obligor upon the Junior Subordinated Notes), the Trustee shall be subject to the provisions of the Trust Indenture Act regarding the collection of claims against the Company (or any such other obligor). For purposes of Section 311(b)(4) and (6) of the Trust Indenture Act:

(a) "cash transaction" means any transaction in which full payment for goods or securities sold is made within seven days after delivery of the goods or securities in currency or in checks or other orders drawn upon banks or bankers and payable upon demand; and

(b) "self-liquidating paper" means any draft, bill of exchange, acceptance or obligation which is made, drawn, negotiated or incurred by the Company (or any such obligor) for the purpose of financing the purchase, processing, manufacturing, shipment, storage or sale of goods, wares or merchandise and which is secured by documents evidencing title to, possession of, or a lien upon, the goods, wares or merchandise or the receivables or

proceeds arising from the sale of the goods, wares or merchandise previously constituting the security, provided the security is received by the Trustee simultaneously with the creation of the creditor relationship with the Company (or any such obligor) arising from the making, drawing, negotiating or incurring of the draft, bill of exchange, acceptance or obligation.

SECTION 614. APPOINTMENT OF AUTHENTICATING AGENT.

At any time when any of the Junior Subordinated Notes remain Outstanding the Trustee may appoint an Authenticating Agent or Agents with respect to one or more series of Junior Subordinated Notes that shall be authorized to act on behalf of the Trustee to authenticate Junior Subordinated Notes of such series issued upon exchange, registration of transfer or partial redemption thereof or pursuant to Section 304, and Junior Subordinated Notes so authenticated shall be entitled to the benefits of this Indenture and shall be valid and obligatory for all purposes as if authenticated by the Trustee hereunder. Wherever reference is made in this Indenture to the authentication and delivery of Junior Subordinated Notes by the Trustee or the Trustee's certificate of authentication, such reference shall be deemed to include authentication and delivery on behalf of the Trustee by an Authenticating Agent and a certificate of authentication executed on behalf of the Trustee by an Authenticating Agent. Each Authenticating Agent shall be acceptable to the Company and shall at all times be a corporation organized and doing business under the laws of the United States of America, any State thereof or the District of Columbia, authorized under such laws to act as Authenticating Agent, having a combined capital and surplus of not less than $50,000,000 and subject to supervision or examination by federal or state authority. If such Authenticating Agent publishes reports of condition at least annually, pursuant to law or to the requirements of said supervising or examining authority, then for the purposes of this Section, the combined capital and surplus of such Authenticating Agent shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. If at any time an Authenticating Agent shall cease to be eligible in accordance with the provisions of this Section, such Authenticating Agent shall resign immediately in the manner and with the effect specified in this Section.

Any corporation into which an Authenticating Agent may be merged or converted or with which it may be consolidated, or any corporation resulting from any merger, conversion or consolidation to which such Authenticating Agent shall be a party, or any corporation succeeding to the corporate agency or corporate trust business of an Authenticating Agent, shall continue to be an Authenticating Agent, provided such corporation shall be otherwise eligible under this Section, without the execution or filing of

any paper or any further act on the part of the Trustee or the Authenticating Agent.

An Authenticating Agent may resign at any time by giving written notice thereof to the Trustee and to the Company. The Trustee may at any time terminate the agency of an Authenticating Agent by giving written notice thereof to such Authenticating Agent and to the Company. Upon receiving such a notice of resignation or upon such a termination, or in case at any time such Authenticating Agent shall cease to be eligible in accordance with the provisions of this Section, the Trustee may appoint a successor Authenticating Agent which shall be acceptable to the Company and shall mail written notice of such appointment by first-class mail, postage prepaid, to all Holders of Junior Subordinated Notes, if any, of the series with respect to which such Authenticating Agent will serve, as their names and addresses appear in the Security Register. Any successor Authenticating Agent upon acceptance of its appointment hereunder shall become vested with all the rights, powers and duties of its predecessor hereunder, with like effect as if originally named as an Authenticating Agent. No successor Authenticating Agent shall be appointed unless eligible under the provisions of this Section.

The Trustee agrees to pay to each Authenticating Agent from time to time reasonable compensation for its services under this Section, and the Trustee shall be entitled to be reimbursed for such payments, subject to the provisions of Section 607.

The provisions of Sections 306, 604 and 605 shall be applicable to each Authenticating Agent.

If an appointment with respect to one or more series is made pursuant to this Section, the Junior Subordinated Notes of such series may have endorsed thereon, in addition to the Trustee's certificate of authentication, an alternate certificate of authentication in the following form:

> This is one of the Junior Subordinated Notes of the series designated therein referred to in the within-mentioned Indenture.
>
> _____
> As Trustee
>
> By_____
> As Authenticating Agent
>
> By_____
> Authorized Signatory

ARTICLE SEVEN

HOLDERS' LISTS AND REPORTS BY TRUSTEE AND COMPANY

SECTION 701. COMPANY TO FURNISH TRUSTEE NAMES AND ADDRESSES OF HOLDERS.

The Company will furnish or cause to be furnished to the Trustee

(a) semi-annually, not later than June 1 and December 1, in each year, a list, in such form as the Trustee may reasonably require, containing all the information in the possession or control of the Company, or any of its Paying Agents other than the Trustee, as to the names and addresses of the Holders of Junior Subordinated Notes as of the preceding May 15 or November 15, as the case may be, and

(b) at such other times as the Trustee may request in writing, within 30 days after the receipt by the Company of any such request, a list of similar form and content as of the most recent Regular Record Date;

excluding from any such list names and addresses received by the Trustee in its capacity as Security Registrar.

SECTION 702. PRESERVATION OF INFORMATION; COMMUNICATIONS TO HOLDERS.

(a) The Trustee shall comply with the obligations imposed on it pursuant to Section 312 of the Trust Indenture Act.

(b) Every Holder of Junior Subordinated Notes, by receiving and holding the same, agrees with the Company and the Trustee that neither the Company nor the Trustee nor any agent of either of them shall be held accountable by reason of the disclosure of any such information as to the names and addresses of the Holders of Junior Subordinated Notes in accordance with Section 312(b) of the Trust Indenture Act, regardless of the source from which such information was derived, and that the Trustee shall not be held accountable by reason of mailing any material pursuant to a request made under Section 312(b) of the Trust Indenture Act.

SECTION 703. REPORTS BY TRUSTEE.

(a) Within 60 days after May 15 of each year commencing with the first May 15 after the first issuance of Junior Subordinated Notes pursuant to this Indenture, if required by Section 313(a) of the Trust Indenture Act, the Trustee shall transmit a brief report dated as of such May 15 with respect to any of the events specified in such Section 313(a) that may have

occurred since the later of the immediately preceding May 15 and the date of this Indenture.

(b) The Trustee shall transmit the reports required by Section 313(b) of the Trust Indenture Act at the times specified therein.

(c) Reports pursuant to this Section shall be transmitted in the manner and to the Persons required by Sections 313(c) and (d) of the Trust Indenture Act.

SECTION 704. REPORTS BY COMPANY.

The Company, pursuant to Section 314(a) of the Trust Indenture Act, shall:

(1) file with the Trustee, within 15 days after the Company is required to file the same with the Commission, copies of the annual reports and of the information, documents and other reports (or copies of such portions of any of the foregoing as the Commission may from time to time by rules and regulations prescribe) that the Company may be required to file with the Commission pursuant to Section 13 or Section 15(d) of the Securities Exchange Act of 1934, as amended; or, if the Company is not required to file information, documents or reports pursuant to either of said Sections, then it shall file with the Trustee and the Commission, in accordance with rules and regulations prescribed from time to time by the Commission, such of the supplementary and periodic information, documents and reports which may be required pursuant to Section 13 of the Securities Exchange Act of 1934, as amended, in respect of a security listed and registered on a national securities exchange as may be prescribed from time to time in such rules and regulations;

(2) file with the Trustee and the Commission, in accordance with rules and regulations prescribed from time to time by the Commission, such additional information, documents and reports with respect to compliance by the Company with the conditions and covenants of this Indenture as may be required from time to time by such rules and regulations;

(3) transmit, within 30 days after the filing thereof with the Trustee, to the Holders of Junior Subordinated Notes, in the manner and to the extent provided in Section 313(c) of the Trust Indenture Act, such summaries of any information, documents and reports required to be filed by the Company pursuant to paragraphs (1) and (2) of this

Section 704 as may be required by rules and regulations prescribed from time to time by the Commission; and

(4) notify the Trustee when and as the Junior Subordinated Notes of any series become admitted to trading on any national securities exchange.

ARTICLE EIGHT

CONSOLIDATION, MERGER, CONVEYANCE, TRANSFER OR LEASE

SECTION 801. COMPANY MAY CONSOLIDATE, ETC., ONLY ON CERTAIN TERMS.

The Company shall not consolidate with or merge into any other corporation or convey, transfer or lease its properties and assets substantially as an entirety to any Person, unless

(1) in case the Company shall consolidate with or merge into another corporation or convey, transfer or lease its properties and assets substantially as an entirety to any Person, the corporation formed by such consolidation or into which the Company is merged or the Person which acquires by conveyance or transfer, or which leases, the properties and assets of the Company substantially as an entirety shall be a corporation organized and existing under the laws of the United States of America, any State thereof or the District of Columbia and shall expressly assume, by an indenture supplemental hereto, executed and delivered to the Trustee, in form satisfactory to the Trustee, the due and punctual payment of the principal of (and premium, if any) and interest (including Additional Interest) on all the Junior Subordinated Notes and the performance of every covenant of this Indenture on the part of the Company to be performed or observed;

(2) immediately after giving effect to such transactions, no Event of Default, and no event which, after notice or lapse of time or both, would become an Event of Default, shall have happened and be continuing; and

(3) the Company has delivered to the Trustee an Officers' Certificate and an Opinion of Counsel, each stating that such consolidation, merger, conveyance, transfer or lease complies with this Article and that all conditions precedent herein provided for relating to such transaction have been complied with.

SECTION 802. SUCCESSOR CORPORATION SUBSTITUTED.

Upon any consolidation by the Company with or merger by the Company into any corporation or any conveyance, transfer or lease of the properties and assets of the Company substantially as an entirety in accordance with Section 801, the successor corporation formed by such consolidation or into which the Company is merged or to which such conveyance, transfer or lease is made shall succeed to, and be substituted for, and may exercise every right and power of, the Company under this Indenture with the same effect as if such successor corporation had been named as the Company herein, and thereafter, except in the case of a lease, the predecessor corporation shall be relieved of all obligations and covenants under this Indenture and the Junior Subordinated Notes.

ARTICLE NINE

SUPPLEMENTAL INDENTURES

SECTION 901. SUPPLEMENTAL INDENTURES WITHOUT CONSENT OF HOLDERS.

Without the consent of any Holders of Junior Subordinated Notes, the Company, when authorized by a Board Resolution, and the Trustee, at any time and from time to time, may enter into one or more indentures supplemental hereto, in form satisfactory to the Trustee, for any of the following purposes:

(1) to evidence the succession of another corporation to the Company and the assumption by any such successor of the covenants of the Company herein and in the Junior Subordinated Notes; or

(2) to add to the covenants of the Company for the benefit of the Holders of all or any series of Junior Subordinated Notes (and if such covenants are to be for the benefit of less than all series of Junior Subordinated Notes, stating that such covenants are expressly being included solely for the benefit of such series) or to surrender any right or power herein conferred upon the Company; or

(3) to add any additional Events of Default; or

(4) to add to or change any of the provisions of this Indenture, to change or eliminate any restrictions on the payment of principal (or premium, if any) on Junior Subordinated Notes or to permit the issuance of Junior Subordinated Notes in uncertificated form, provided any such action shall not adversely affect the interests of the Holders of Junior Subordinated Notes of any series in any material respect; or

(5) to change or eliminate any of the provisions of this Indenture with respect to any series of Junior Subordinated Notes theretofore unissued; or

(6) to secure the Junior Subordinated Notes; or

(7) to establish the form or terms of Junior Subordinated Notes of any series as permitted by Sections 201 and 301; or

(8) to evidence and provide for the acceptance of appointment hereunder by a successor Trustee with respect to the Junior Subordinated Notes of one or more series and to add to or change any of the provisions of this Indenture as shall be necessary to provide for or facilitate the administration of the trusts hereunder by more than one Trustee, pursuant to the requirements of Section 611(b); or

(9) to cure any ambiguity, to correct or supplement any provision herein which may be inconsistent with any other provision herein, or to make provisions with respect to matters or questions arising under this indenture provided such action shall not adversely affect the interests of the Holders of Junior Subordinated Notes of any series or holders of outstanding Trust Securities in any material respect; or

(10) subject to Section 903(a), to make any change in Article Thirteen that would limit or terminate the benefits available to any holder of Senior Indebtedness under such Article; or

(11) to modify, eliminate or add to the provisions of this Indenture to such extent as shall be necessary to effect the qualification of this Indenture under the Trust Indenture Act or under any similar federal statute hereafter enacted, and to add to this Indenture such other provisions as may be expressly required by the Trust Indenture Act.

SECTION 902. SUPPLEMENTAL INDENTURES WITH CONSENT OF HOLDERS.

With the consent of the Holders of not less than a majority in principal amount of the Outstanding Junior Subordinated Notes of each series affected by such supplemental indenture, by Act of said Holders delivered to the Company and the Trustee, the Company, when authorized by a Board Resolution, and the Trustee may enter into an indenture or indentures supplemental hereto for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of this Indenture or of modifying in any manner the rights of the Holders of Junior Subordinated Notes of such series under this Indenture; provided,

however, that no such supplemental indenture shall, without the consent of the Holder of each Outstanding Junior Subordinated Note affected thereby,

(1) change the Stated Maturity of the principal of, or any installment of principal of or interest on, any Junior Subordinated Note, or reduce the principal amount thereof or the rate of interest (including Additional Interest) thereon or any premium payable upon the redemption thereof, or change the method of calculating the rate of interest thereon, or impair the right to institute suit for the enforcement of any such payment on or after the Stated Maturity thereof (or, in the case of redemption, on or after the Redemption Date), or

(2) reduce the percentage in principal amount of the Outstanding Junior Subordinated Notes of any series, the consent of whose Holders is required for any such supplemental indenture, or the consent of whose Holders is required for any waiver (of compliance with certain provisions of this Indenture or certain defaults hereunder and their consequences) provided for in this Indenture, or

(3) modify any of the provisions of this Section 902, Section 513 or Section 1008, except to increase any such percentage or to provide that certain other provisions of this Indenture cannot be modified or waived without the consent of the Holder of each Outstanding Junior Subordinated Note affected thereby, provided, however, that this clause shall not be deemed to require the consent of any Holder of a Junior Subordinated Note with respect to changes in the references to "the Trustee" and concomitant changes in this Section and Section 1008, or the deletion of this proviso, in accordance with the requirements of Sections 611(b) and 901(8), or

(4) modify the provisions of this Indenture with respect to the subordination of the Junior Subordinated Notes in a manner adverse to such Holder.

SECTION 903. GENERAL PROVISIONS REGARDING SUPPLEMENTAL INDENTURE.

(a) A supplemental indenture entered into pursuant to Section 901 or Section 902 may not make any change that adversely affects the rights under Article Thirteen of any holder of Senior Indebtedness then outstanding unless the holders of such Senior Indebtedness (or any group or representative thereof authorized to give a consent) consent to such change.

(b) A supplemental indenture which changes or eliminates any covenant or other provision of this Indenture which has expressly been included solely for the benefit of one or more

particular series of Junior Subordinated Notes, or which modifies the rights of the Holders of Junior Subordinated Notes of such series with respect to such covenant or other provision, shall be deemed not to affect the rights under this Indenture of the Holders of Junior Subordinated Notes of any other series.

(c) It shall not be necessary for any Act of Holders of Junior Subordinated Notes under this Section to approve the particular form of any proposed supplemental indenture, but it shall be sufficient if such Act or action shall approve the substance thereof.

SECTION 904. EXECUTION OF SUPPLEMENTAL INDENTURES.

In executing, or accepting the additional trusts created by, any supplemental indenture permitted by this Article or the modifications thereby of the trusts created by this Indenture, the Trustee shall be entitled to receive, and (subject to Section 601) shall be fully protected in relying upon, an Opinion of Counsel stating that the execution of such supplemental indenture is authorized or permitted by this Indenture. The Trustee may, but shall not be obligated to, enter into any such supplemental indenture which affects the Trustee's own rights, duties, immunities or liabilities under this Indenture or otherwise.

SECTION 905. EFFECT OF SUPPLEMENTAL INDENTURES.

Upon the execution of any supplemental indenture under this Article, this Indenture shall be modified in accordance therewith, and such supplemental indenture shall form a part of this Indenture for all purposes; and every Holder of Junior Subordinated Notes theretofore or thereafter authenticated and delivered hereunder shall be bound thereby.

SECTION 906. CONFORMITY WITH TRUST INDENTURE ACT.

Every supplemental indenture executed pursuant to this Article shall conform to the requirements of the Trust Indenture Act.

SECTION 907. REFERENCE IN JUNIOR SUBORDINATED NOTES TO SUPPLEMENTAL INDENTURES.

Junior Subordinated Notes of any series authenticated and delivered after the execution of any supplemental indenture pursuant to this Article may, and shall if required by the Trustee, bear a notation in form approved by the Trustee as to any matter provided for in such supplemental indenture. If the Company shall so determine, new Junior Subordinated Notes of any series so modified as to conform, in the opinion of the Trustee and the Company, to any such supplemental indenture may be

prepared and executed by the Company and authenticated and delivered by the Trustee in exchange for Outstanding Junior Subordinated Notes of such series.

ARTICLE TEN

COVENANTS

SECTION 1001. PAYMENT OF PRINCIPAL AND INTEREST.

The Company covenants and agrees for the benefit of each series of Junior Subordinated Notes that it will duly and punctually pay the principal of (and premium, if any) and interest, including Additional Interest (subject to the right of the Company to extend an interest payment period pursuant to the terms of a supplemental indenture authorizing the Junior Subordinated Notes of that series), on the Junior Subordinated Notes of that series in accordance with the terms of the Junior Subordinated Notes and this Indenture.

SECTION 1002. MAINTENANCE OF OFFICE OR AGENCY.

The Company or its Affiliate will maintain an office or agency where Junior Subordinated Notes of each series may be presented or surrendered for payment, where Junior Subordinated Notes of that series may be surrendered for registration of transfer or exchange and where notices and demands to or upon the Company in respect of the Junior Subordinated Notes of that series and this Indenture may be served. The Company will give prompt written notice to the Trustee of the location, and any change in the location, of such office or agency. If at any time the Company shall fail to maintain any such required office or agency in respect of any series of Junior Subordinated Notes or shall fail to furnish the Trustee with the address thereof, such presentations and surrenders of Junior Subordinated Notes of that series may be made and notices and demands may be made or served at the Corporate Trust Office of the Trustee, and the Company hereby appoints the Trustee as its agent to receive such respective presentations, surrenders, notices and demands.

The Company may also from time to time designate one or more other offices or agencies where the Junior Subordinated Notes of one or more series may be presented or surrendered for any or all such purposes and may from time to time rescind such designations. The Company will give prompt written notice to the Trustee of any such designation or rescission and of any change in the location of any such other office or agency.

SECTION 1003. MONEY FOR JUNIOR SUBORDINATED NOTES PAYMENTS TO BE HELD IN TRUST.

If the Company or one of its Affiliates shall at any time act as its own Paying Agent with respect to any series of Junior Subordinated Notes, it will, on or before each due date of the principal of (and premium, if any) or interest (including Additional Interest, if any) on any of the Junior Subordinated Notes of that series, segregate and hold in trust for the benefit of the Persons entitled thereto a sum sufficient to pay the principal (and premium, if any) or interest (including Additional Interest, if any) so becoming due until such sums shall be paid to such Persons or otherwise disposed of as herein provided and will promptly notify the Trustee of its action or failure so to act.

Whenever the Company shall have one or more Paying Agents for any series of Junior Subordinated Notes, it will, prior to each due date of the principal of (and premium, if any) or interest (including Additional Interest, if any) on any Junior Subordinated Notes of that series, deposit with a Paying Agent a sum sufficient to pay the principal (and premium, if any) or interest (including Additional Interest, if any) so becoming due, such sum to be held in trust for the benefit of the Persons entitled to such principal, premium or interest (including Additional Interest, if any), and (unless such Paying Agent is the Trustee) the Company will promptly notify the Trustee of its action or failure so to act.

The Company will cause each Paying Agent for any series of Junior Subordinated Notes other than the Trustee to execute and deliver to the Trustee an instrument in which such Paying Agent shall agree with the Trustee, subject to the provisions of this Section, that such Paying Agent will:

(1) hold all sums held by it for the payment of the principal of (and premium, if any) or interest (including Additional Interest, if any) on Junior Subordinated Notes of that series in trust for the benefit of the Persons entitled thereto until such sums shall be paid to such Persons or otherwise disposed of as herein provided;

(2) give the Trustee notice of any default by the Company (or any other obligor upon the Junior Subordinated Notes of that series) in the making of any payment of principal of (and premium, if any) or interest (including Additional Interest, if any) on the Junior Subordinated Notes of that series; and

(3) at any time during the continuance of any such default, upon the written request of the Trustee, forthwith

pay to the Trustee all sums so held in trust by such Paying Agent.

The Company may at any time, for the purpose of obtaining the satisfaction and discharge of this Indenture or for any other purpose, pay, or by Company Order direct any Paying Agent to pay, to the Trustee all sums held in trust by the Company or such Paying Agent, such sums to be held by the Trustee upon the same trusts as those upon which such sums were held by the Company or such Paying Agent; and, upon such payment by any Paying Agent to the Trustee, such Paying Agent shall be released from all further liability with respect to such money.

Any money deposited with the Trustee or any Paying Agent, or then held by the Company, in trust for the payment of the principal of (and premium, if any) or interest (including Additional Interest, if any) on any Junior Subordinated Note of any series and remaining unclaimed for two years after such principal (and premium, if any) or interest (including Additional Interest, if any) has become due and payable shall be paid to the Company on Company Request, or (if then held by the Company) shall be discharged from such trust; and the Holder of such Junior Subordinated Note shall thereafter, as an unsecured general creditor, look only to the Company for payment thereof, and all liability of the Trustee or such Paying Agent with respect to such trust money, and all liability of the Company as trustee thereof, shall thereupon cease; provided, however, that the Trustee or such Paying Agent, before being required to make any such repayment, may at the expense of the Company cause to be published once, in a newspaper of general circulation in New York City notice that such money remains unclaimed and that, after a date specified therein, which shall not be less than 30 days from the date of such publication, any unclaimed balance of such money then remaining will be repaid to the Company.

SECTION 1004. ADDITIONAL INTEREST.

If the Junior Subordinated Notes of a series provide for the payment of Additional Interest (for purposes of this Section 1004, as defined in clause (i) of the definition thereof) to the Holders of such Junior Subordinated Notes, then the Company shall pay to each Holder of such Securities the Additional Interest as provided therein.

Except as otherwise provided in or pursuant to this Indenture, if the Junior Subordinated Notes of a series provide for the payment of Additional Interest, at least 10 days prior to the first Interest Payment Date with respect to that series of Junior Subordinated Notes upon which such Additional Interest shall be payable (or, if the Junior Subordinated Notes of that series shall not bear interest prior to Maturity, the first day on

which a payment of principal and any premium is made), and at least 10 days prior to each date of payment of principal and any premium or interest if there has been any change with respect to the matters set forth in the below-mentioned Officers' Certificate, the Company will furnish the Trustee and the Company's Paying Agents, if other than the Trustee or the Company, with an Officers' Certificate stating the amount of the Additional Interest payable per minimum authorized denomination of such Junior Subordinated Notes (and, if such Additional Interest is payable only with respect to particular Junior Subordinated Notes, then the names of the Holders of such Junior Subordinated Notes).

SECTION 1005. CORPORATE EXISTENCE.

Subject to Article Eight, the Company will do or cause to be done all things necessary to preserve and keep in full force and effect its corporate existence and the rights (charter and statutory) and franchises of the Company; provided, however, that the Company shall not be required to preserve any such right or franchise if the Board of Directors shall determine that the preservation thereof is no longer desirable in the conduct of the business of the Company, and that the loss thereof is not disadvantageous in any material respect to the Holders.

SECTION 1006. LIMITATIONS ON DIVIDEND AND CERTAIN OTHER PAYMENTS.

The Company covenants, for the benefit of the Holders of each series of Junior Subordinated Notes, that, subject to the next succeeding sentence, (a) the Company shall not declare or pay any dividend or make any distributions with respect to, or redeem, purchase, acquire or make a liquidation payment with respect to, any of its capital stock, and (b) the Company shall not make any payment of interest, principal or premium, if any, on or repay, repurchase or redeem any debt securities (including guarantees) issued by the Company which rank *pari passu* with or junior to the Junior Subordinated Notes, (a) if at such time the Company shall have given notice of its election to extend an interest payment period for such series of Junior Subordinated Notes and such extension shall be continuing, (b) if at such time the Company shall be in default with respect to its payment or other obligations under the Guarantee with respect to the series of Trust Securities, if any, related to such series of Junior Subordinated Notes, or (c) if at such time an Event of Default hereunder with respect to such series of Junior Subordinated Notes shall have occurred and be continuing. The preceding sentence, however, shall not restrict (i) any of the actions described in the preceding sentence resulting from any reclassification of the Company's capital stock or the exchange or conversion of one class or series of the Company's capital stock for another class or series of the Company's capital stock, or (ii) the purchase of

fractional interests in shares of the Company's capital stock pursuant to the conversion or exchange provisions of such capital stock or the security being converted or exchanged.

SECTION 1007. STATEMENT AS TO COMPLIANCE.

(a) The Company shall deliver to the Trustee, within 120 days after the end of each fiscal year, a written statement, which need not comply with Section 102, signed by the principal executive officer, the principal financial officer or the principal accounting officer of the Company, as to his or her knowledge of the Company's compliance with all conditions and covenants under this Indenture. For purposes of this Section 1007, such compliance shall be determined without regard to any period of grace or requirement of notice under this Indenture.

(b) The Company shall deliver to the Trustee, no later than the Business Day on which the event occurs, written notice of the liquidation, dissolution or winding-up of a Securities Trust if such liquidation, dissolution or winding-up would occur earlier than the Stated Maturity of the Junior Subordinated Notes owned by such Securities Trust.

(c) The Company shall deliver to the Trustee, within five days after the occurrence thereof, written notice of any event which after notice or lapse of time or both would become an Event of Default pursuant to Section 501.

SECTION 1008. WAIVER OF CERTAIN COVENANTS.

The Company may omit in any particular instance to comply with any term, provision or condition set forth in Sections 1005 and 1006 with respect to the Junior Subordinated Notes of any series if before the time for such compliance the Holders of at least a majority in principal amount of the Outstanding Junior Subordinated Notes of such series shall, by Act of such Holders, either waive such compliance in such instance or generally waive compliance with such term, provision or condition, but no such waiver shall extend to or affect such term, provision or condition except to the extent so expressly waived, and, until such waiver shall become effective, the obligations of the Company and the duties of the Trustee in respect of any such term, provision or condition shall remain in full force and effect.

SECTION 1009. COVENANTS REGARDING TRUST.

For so long as the Trust Securities remain outstanding, the Company covenants (i) to directly or indirectly maintain 100% ownership of the Common Securities (as defined in the Trust Agreement relating to such securities) of the Trust; provided, however, that any permitted successor of the Company hereunder may

succeed to the Company's ownership of such Common Securities, and (ii) to use its reasonable efforts to cause the Trust (a) to remain a statutory business trust, except in connection with the distribution of Junior Subordinated Notes to the holders of Trust Securities in liquidation of the Trust, the redemption of all of the Trust Securities of the Trust, or certain mergers, consolidations or amalgamations, each as permitted under the Trust Agreement, and (b) to otherwise continue to be classified as a grantor trust for United States federal income tax purposes.

ARTICLE ELEVEN

REDEMPTION OF JUNIOR SUBORDINATED NOTES

SECTION 1101. APPLICABILITY OF ARTICLE.

Junior Subordinated Notes of any series which are redeemable before their Stated Maturity shall be redeemable in accordance with their terms and (except as otherwise specified as contemplated by Section 301 for Junior Subordinated Notes of any series) in accordance with this Article.

SECTION 1102. ELECTION TO REDEEM; NOTICE TO TRUSTEE.

The election of the Company to redeem any Junior Subordinated Notes shall be evidenced by a Board Resolution. In case of any redemption at the election of the Company of all of the Junior Subordinated Notes of any series, the Company shall, at least 60 days prior to the Redemption Date fixed by the Company (unless a shorter notice shall be satisfactory to the Trustee and the related Property Trustee), notify the Trustee and the related Property Trustee in writing of such Redemption Date. In case of any redemption at the election of the Company of less than all the Junior Subordinated Notes of any series, the Company shall, at least 60 days prior to the Redemption Date fixed by the Company (unless a shorter notice shall be satisfactory to the Trustee and the related Property Trustee), notify the Trustee and the related Property Trustee in writing of such Redemption Date and of the principal amount of Junior Subordinated Notes of such series to be redeemed. In the case of any redemption of Junior Subordinated Notes (i) prior to the expiration of any restriction on such redemption provided in the terms of such Junior Subordinated Notes or elsewhere in this Indenture, or (ii) pursuant to an election of the Company which is subject to a condition specified in the terms of such Junior Subordinated Notes, the Company shall furnish the Trustee with an Officers' Certificate evidencing compliance with such restriction or condition.

SECTION 1103. SELECTION BY TRUSTEE OF JUNIOR SUBORDINATED NOTES TO BE REDEEMED.

If the Junior Subordinated Notes are registered in the name of only one Holder, any partial redemptions shall be pro rata. If the Junior Subordinated Notes are held in definitive form by more than one Holder and if less than all the Junior Subordinated Notes of any series are to be redeemed, the particular Junior Subordinated Notes to be redeemed shall be selected not more than 60 days prior to the Redemption Date by the Trustee, from the Outstanding Junior Subordinated Notes of such series not previously called for redemption, by lot or other such method as the Trustee shall deem fair and appropriate and which may provide for the selection for redemption of portions (equal to the minimum authorized denomination for Junior Subordinated Notes of that series or any integral multiple thereof) of the principal amount of Junior Subordinated Notes of such series of a denomination larger than the minimum authorized denomination for Junior Subordinated Notes of that series.

The Trustee shall promptly notify the Company in writing of the Junior Subordinated Notes selected for redemption and, in the case of any Junior Subordinated Notes selected for partial redemption, the principal amount thereof to be redeemed.

For all purposes of this Indenture, unless the context otherwise requires, all provisions relating to the redemption of Junior Subordinated Notes shall relate, in the case of any Junior Subordinated Notes redeemed or to be redeemed only in part, to the portion of the principal amount of such Junior Subordinated Notes which has been or is to be redeemed.

SECTION 1104. NOTICE OF REDEMPTION.

Notice of redemption shall be given in the manner provided in Section 106 to the Holders of Junior Subordinated Notes to be redeemed not less than 30 nor more than 60 days prior to the Redemption Date.

All notices of redemption shall state:

(1) the Redemption Date,

(2) the Redemption Price,

(3) if less than all the Outstanding Junior Subordinated Notes of any series are to be redeemed, the identification (and, in the case of partial redemption, the principal amounts) of the particular Junior Subordinated Notes to be redeemed,

(4) that on the Redemption Date the Redemption Price will become due and payable upon each such Junior Subordinated Note to be redeemed and, if applicable, that interest thereon will cease to accrue on and after said date,

(5) the place or places where such Junior Subordinated Notes are to be surrendered for payment of the Redemption Price, and

(6) that the redemption is for a sinking fund, if such is the case.

Notice of redemption of Junior Subordinated Notes to be redeemed at the election of the Company shall be given by the Company or, at the Company's request, by the Trustee in the name and at the expense of the Company.

SECTION 1105. DEPOSIT OF REDEMPTION PRICE.

Except as otherwise provided in a supplemental indenture pursuant to Section 301, prior to any Redemption Date, the Company shall deposit with the Trustee or with a Paying Agent (or, if the Company or its Affiliate is acting as its own Paying Agent, segregate and hold in trust as provided in Section 1003) an amount of money sufficient to pay the Redemption Price of and accrued interest, if any, on all the Junior Subordinated Notes which are to be redeemed on that date.

SECTION 1106. JUNIOR SUBORDINATED NOTES PAYABLE ON REDEMPTION DATE

Notice of redemption having been given as aforesaid, the Junior Subordinated Notes so to be redeemed shall, on the Redemption Date, become due and payable at the Redemption Price therein specified together with any accrued interest (including any Additional Interest) thereon, and from and after such date (unless the Company shall default in the payment of the Redemption Price and accrued interest) such Junior Subordinated Notes shall cease to bear interest. Upon surrender of any such Junior Subordinated Note for redemption in accordance with such notice, such Junior Subordinated Note shall be paid by the Company at the Redemption Price, together with accrued interest, if any, and any Additional Interest to the Redemption Date; provided, however, that, except as otherwise provided in a supplemental indenture pursuant to Section 301, installments of interest on Junior Subordinated Notes whose Stated Maturity is on or prior to the Redemption Date shall be payable to the Holders of such Junior Subordinated Notes, or one or more Predecessor Securities, registered as such at the close of business on the relevant Record Dates according to their terms and the provisions of Section 305.

If any Junior Subordinated Note called for redemption shall not be so paid upon surrender thereof for redemption, the principal (and premium, if any) shall, until paid, bear interest from the Redemption Date at the rate prescribed therefor in the Junior Subordinated Note.

SECTION 1107. JUNIOR SUBORDINATED NOTES REDEEMED IN PART.

Any Junior Subordinated Note that is to be redeemed only in part shall be surrendered at an office or agency of the Company therefor (with, if the Company or the Trustee so requires, due endorsement by, or a written instrument of transfer in form satisfactory to the Company and the Trustee duly executed by, the Holder thereof or his attorney duly authorized in writing), and the Company shall execute, and the Trustee shall authenticate and deliver to the Holder of such Junior Subordinated Note without service charge, a new Junior Subordinated Note of the same series, Stated Maturity and original issue date of any authorized denomination as requested by such Holder, in aggregate principal amount equal to and in exchange for the unredeemed portion of the principal of the Junior Subordinated Note so surrendered.

ARTICLE TWELVE

SINKING FUNDS

SECTION 1201. APPLICABILITY OF ARTICLE.

The provisions of this Article shall be applicable to any sinking fund for the retirement of Junior Subordinated Notes of a series except as otherwise specified as contemplated by Section 301 for Junior Subordinated Notes of such series.

The minimum amount of any sinking fund payment provided for by the terms of Junior Subordinated Notes of any series is herein referred to as a "mandatory sinking fund payment", and any payment in excess of such minimum amount provided for by the terms of Junior Subordinated Notes of any series is herein referred to as an "optional sinking fund payment". If provided for by the terms of Junior Subordinated Notes of any series, the cash amount of any sinking fund payment may be subject to reduction as provided in Section 1202. Each sinking fund payment shall be applied to the redemption of Junior Subordinated Notes of any series as provided for by the terms of Junior Subordinated Notes of such series.

SECTION 1202. SATISFACTION OF SINKING FUND PAYMENTS WITH JUNIOR SUBORDINATED NOTES.

The Company (1) may deliver Outstanding Junior Subordinated Notes of a series (other than any previously called for redemption), and (2) may apply as a credit Junior Subordinated

Notes of a series which have been redeemed either at the election of the Company pursuant to the terms of such Junior Subordinated Notes or through the application of permitted optional sinking fund payments pursuant to the terms of such Junior Subordinated Notes, in each case in satisfaction of all or any part of any sinking fund payment with respect to the Junior Subordinated Notes of such series required to be made pursuant to the terms of such Junior Subordinated Notes as provided for by the terms of such series; provided that such Junior Subordinated Notes have not been previously so credited. Such Junior Subordinated Notes shall be received and credited for such purpose by the Trustee at the Redemption Price specified in such Junior Subordinated Notes for redemption through operation of the sinking fund and the amount of such sinking fund payment shall be reduced accordingly.

SECTION 1203. REDEMPTION OF JUNIOR SUBORDINATED NOTES FOR SINKING FUND.

Not less than 60 days prior to each sinking fund payment date for any series of Junior Subordinated Notes, the Company will deliver to the Trustee an Officers' Certificate specifying the amount of the next ensuing sinking fund payment for that series pursuant to the terms of that series, the portion thereof, if any, which is to be satisfied by payment of cash and the portion thereof, if any, which is to be satisfied by delivering and crediting Junior Subordinated Notes of thet series pursuant to Section 1202 and stating the basis for such credit and that such Junior Subordinated Notes have not previously been so credited and will also deliver to the Trustee any Junior Subordinated Notes to be so delivered. Not less than 30 days before each such sinking fund payment date the Trustee shall select the Junior Subordinated Notes to be redeemed upon such sinking fund payment date in the manner specified in Section 1103 and cause notice of the redemption thereof to be given in the name of and at the expense of the Company in the manner provided in Section 1104. Such notice having been duly given, the redemption of such Junior Subordinated Notes shall be made upon the terms and in the manner stated in Sections 1106 and 1107.

ARTICLE THIRTEEN

SUBORDINATION

SECTION 1301. JUNIOR SUBORDINATED NOTES SUBORDINATE TO SENIOR INDEBTEDNESS.

The Company covenants and agrees, and each Holder of a Junior Subordinated Note, by his acceptance thereof, likewise covenants and agrees, that, to the extent and in the manner hereinafter set forth in this Article (subject to Article Four), the payment of the principal of, premium, if any, and interest (including

Additional Interest) on each and all of the Junior Subordinated Notes are hereby expressly made subordinate and subject in right of payment to the prior payment in full in cash of all Senior Indebtedness.

SECTION 1302. PAYMENT OF PROCEEDS UPON DISSOLUTION, ETC.

Upon any payment or distribution of assets of the Company to creditors upon any liquidation, dissolution, winding-up, reorganization, assignment for the benefit of creditors, marshalling of assets or liabilities or any bankruptcy, insolvency or similar proceedings of the Company (each such event, if any, referred to as a "Proceeding"), the holders of Senior Indebtedness shall be entitled to receive payment in full of all amounts due on or to become due on or in respect of all Senior Indebtedness (including any interest accruing thereon after the commencement of any such Proceeding, whether or not allowed as a claim against the Company in such Proceeding), before the Holders of the Junior Subordinated Notes are entitled to receive any payment or distribution (excluding any payment described in Section 1309) on account of the principal of, premium, if any, or interest (including Additional Interest, if any) on the Junior Subordinated Notes or on account of any purchase, redemption or other acquisition of Junior Subordinated Notes by the Company (all such payments, distributions, purchases, redemptions and acquisitions, whether or not in connection with a Proceeding, herein referred to, individually and collectively, as a "Payment").

In the event that, notwithstanding the foregoing, any payment or distribution of assets of the Company of any kind or character, whether in cash, property or securities, prohibited by the foregoing shall be received by the Trustee or the Holders of the Junior Subordinated Notes before all Senior Indebtedness is paid in full, or provision is made for such payment in money in accordance with its terms, such payment or distribution shall be held in trust for the benefit of and shall be paid over or delivered to the holders of Senior Indebtedness or to the trustee or trustees under any indenture pursuant to which any instruments evidencing any such Senior Indebtedness may have been issued, as their respective interests may appear, as calculated by the Company, for application to the payment of all Senior Indebtedness remaining unpaid to the extent necessary to pay all Senior Indebtedness in full in accordance with its terms, after giving effect to any concurrent payment or distribution to or for the holders of such Senior Indebtedness.

For purposes of this Article, "assets of the Company" shall not be deemed to include shares of stock of the Company as reorganized or readjusted, or securities of the Company or any other corporation provided for by a plan of reorganization or readjustment, the payment of which is subordinated at least to the

extent provided in this Article with respect to the Junior Subordinated Notes to the payment of all Senior Indebtedness that may at the time be outstanding, provided, however, that (i) the Senior Indebtedness is assumed by the new corporation, if any, resulting from any such reorganization or readjustment, and (ii) the rights of the holders of the Senior Indebtedness are not, without the consent of such holders, altered by such reorganization or readjustment. The consolidation of the Company with, or the merger of the Company into, another corporation or the liquidation or dissolution of the Company following the conveyance or transfer of its property as an entirety, or substantially as an entirety, to another corporation upon the terms and conditions provided for in Article Eight hereof shall not be deemed a dissolution, winding-up, liquidation or reorganization for the purposes of this Section 1302 if such other corporation shall, as a part of such consolidation, merger, conveyance or transfer, comply with the conditions stated in Article Eight hereof. Nothing in Section 1303 or in this Section 1302 shall apply to claims of, or payments to, the Trustee under or pursuant to Section 607.

SECTION 1303. NO PAYMENT WHEN SENIOR INDEBTEDNESS IN DEFAULT

No payment of any principal, including redemption payments, if any, premium, if any, or interest on (including Additional Interest) the Junior Subordinated Notes shall be made if

(i) any Senior Indebtedness is not paid when due whether at the stated maturity of any such payment or by call for redemption and any applicable grace period with respect to such default has ended, with such default remaining uncured and such default has not been waived or otherwise ceased to exist;

(ii) the maturity of any Senior Indebtedness has been accelerated because of a default; or

(iii) notice has been given of the exercise of an option to require repayment, mandatory payment or prepayment or otherwise.

In the event that, notwithstanding the foregoing, the Company shall make any Payment to the Trustee or any Holder prohibited by the foregoing provisions of this Section, then in such event such Payment shall be held in trust and paid over and delivered forthwith to the holders of the Senior Indebtedness.

The provisions of this Section shall not apply to any Payment with respect to which Section 1302 hereof would be applicable.

SECTION 1304. PAYMENT PERMITTED IF NO DEFAULT.

Nothing contained in this Article or elsewhere in this Indenture or in any of the Junior Subordinated Notes shall prevent the Company, at any time except during the pendency of any Proceeding referred to in Section 1302 hereof or under the conditions described in Section 1303 hereof, from making Payments. Nothing in this Article shall have any effect on the right of the Holders or the Trustee to accelerate the maturity of the Junior Subordinated Notes upon the occurrence of an Event of Default, but, in that event, no payment may be made in violation of the provisions of this Article with respect to the Junior Subordinated Notes. If payment of the Junior Subordinated Notes is accelerated because of an Event of Default, the Company shall promptly notify the holders of the Senior Indebtedness (or their representatives) of such acceleration.

SECTION 1305. SUBROGATION TO RIGHTS OF HOLDERS OF SENIOR INDEBTEDNESS.

The rights of the Holders of the Junior Subordinated Notes shall be subrogated to the rights of the holders of such Senior Indebtedness to receive payments and distributions of cash, property and securities applicable to the Senior Indebtedness until the principal of, premium, if any, and interest (including Additional Interest) on the Junior Subordinated Notes shall be paid in full. For purposes of such subrogation, no payments or distributions to the holders of the Senior Indebtedness of any cash, property or securities to which the Holders of the Junior Subordinated Notes or the Trustee would be entitled except for the provisions of this Article, and no payments pursuant to the provisions of this Article to the holders of Senior Indebtedness by Holders of the Junior Subordinated Notes or the Trustee, shall, as among the Company, its creditors other than holders of Senior Indebtedness and the Holders of the Junior Subordinated Notes, be deemed to be a payment or distribution by the Company to or on account of the Senior Indebtedness.

SECTION 1306. PROVISIONS SOLELY TO DEFINE RELATIVE RIGHTS.

The provisions of this Article are and are intended solely for the purpose of defining the relative rights of the Holders on the one hand and the holders of Senior Indebtedness on the other hand. Nothing contained in this Article or elsewhere in this Indenture or in the Junior Subordinated Notes is intended to or shall (a) impair, as among the Company, its creditors other than holders of Senior Indebtedness and the Holders of the Junior Subordinated Notes, the obligation of the Company, which is absolute and unconditional (and which, subject to the rights under this Article of the holders of Senior Indebtedness, is intended to rank equally with all other general obligations of the Company),

to pay to the Holders of the Junior Subordinated Notes the principal of, premium, if any, and interest (including Additional Interest) on the Junior Subordinated Notes as and when the same shall become due and payable in accordance with their terms; or (b) affect the relative rights against the Company of the Holders of the Junior Subordinated Notes and creditors of the Company other than the holders of Senior Indebtedness; or (c) prevent the Trustee or the Holder of any Junior Subordinated Note from exercising all remedies otherwise permitted by applicable law upon default under this Indenture, subject to the rights, if any, under this Article of the holders of Senior Indebtedness to receive cash, property and securities otherwise payable or deliverable to the Trustee or such Holder or, under the conditions specified in Section 1303, to prevent any payment prohibited by such Section or enforce their rights pursuant to the penultimate paragraph in Section 1303.

SECTION 1307. TRUSTEE TO EFFECTUATE SUBORDINATION.

Each Holder of a Junior Subordinated Note by his acceptance thereof authorizes and directs the Trustee on his behalf to take such action as may be necessary or appropriate to effectuate the subordination provided in this Article and appoints the Trustee his attorney-in-fact for any and all such purposes, including, in the event of any dissolution, winding-up, liquidation or reorganization of the Company, whether in bankruptcy, insolvency, receivership proceedings, or otherwise, the timely filing of a claim for the unpaid balance of the indebtedness of the Company owing to such Holder in the form required in such proceedings and the causing of such claim to be approved.

SECTION 1308. NO WAIVER OF SUBORDINATION PROVISIONS.

No right of any present or future holder of any Senior Indebtedness to enforce the subordination provisions provided herein shall at any time in any way be prejudiced or impaired by any act or failure to act on the part of the Company or by any act or any failure to act, in good faith, by any such holder, or by any noncompliance by the Company with the terms, provisions and covenants of this Indenture, regardless of any knowledge thereof any such holder may have or be otherwise charged with.

Without in any way limiting the generality of the foregoing paragraph, the holders of Senior Indebtedness may, at any time and from time to time, without the consent of or notice to the Trustee or the Holders of the Junior Subordinated Notes, without incurring responsibility to the Holders of the Junior Subordinated Notes and without impairing or releasing the subordination provided in this Article or the obligations hereunder of the Holders of the Junior Subordinated Notes to the holders of Senior Indebtedness, do any one or more of the following: (i) change the manner, place or

terms of payment or extend the time of payment of, or renew or alter, Senior Indebtedness, or otherwise amend or supplement in any manner Senior Indebtedness or any instrument evidencing the same or any agreement under which Senior Indebtedness is outstanding; (ii) permit the Company to borrow, repay and then reborrow any or all of the Senior Indebtedness; (iii) sell, exchange, release or otherwise deal with any property pledged, mortgaged or otherwise securing Senior Indebtedness; (iv) release any Person liable in any manner for the collection of Senior Indebtedness; (v) exercise or refrain from exercising any rights against the Company and any other Person; or (vi) apply any sums received by them to Senior Indebtedness.

SECTION 1309. TRUST MONEYS NOT SUBORDINATED.

Notwithstanding anything contained herein to the contrary, payments from money held in trust by the Trustee under Article Four for the payment of the principal of, premium, if any, and interest (including Additional Interest) on any series of Junior Subordinated Notes shall not be subordinated to the prior payment of any Senior Indebtedness or subject to the restrictions set forth in this Article and no Holder of such Junior Subordinated Notes nor the Trustee shall be obligated to pay over such amount to the Company, any holder of Senior Indebtedness (or a designated representative of such holder) or any other creditor of the Company.

SECTION 1310. NOTICE TO THE TRUSTEE.

The Company shall give prompt written notice to a Responsible Officer of the Trustee of any fact known to the Company that would prohibit the making of any payment of monies to or by the Trustee in respect of the Junior Subordinated Notes pursuant to the provisions of this Article. Notwithstanding the provisions of this Article or any other provision of this Indenture, the Trustee shall not be charged with knowledge of the existence of any facts that would prohibit the making of any payment of monies to or by the Trustee in respect of the Junior Subordinated Notes pursuant to the provisions of this Article unless and until a Responsible Officer of the Trustee shall have received written notice thereof at the Corporate Trust Office of the Trustee from the Company or a holder or holders of Senior Indebtedness or from any trustee therefor; and before the receipt of any such written notice, the Trustee, subject to the provisions of Section 601, shall be entitled in all respects to assume that no such facts exist; provided, however, that if the Trustee shall not have received the notice provided for in this Section 1310 at least two Business Days prior to the date upon which, by the terms hereof, any money may become payable for any purpose (including, without limitation, the payment of the principal of (or premium, if any) or interest

on any Junior Subordinated Note), then, anything herein contained to the contrary notwithstanding, the Trustee shall have full power and authority to receive such money and to apply the same to the purposes for which they were received, and shall not be affected by any notice to the contrary that may be received by it within two Business Days prior to such date.

The Trustee, subject to the provisions of Section 601, shall be entitled to rely on the delivery to it of a written notice by a Person representing himself to be a holder of Senior Indebtedness (or a trustee on behalf of such holder) to establish that such notice has been given by a holder of Senior Indebtedness or a trustee on behalf of any such holder or holders. In the event that the Trustee determines in good faith that further evidence is required with respect to the right of any Person as a holder of Senior Indebtedness to participate in any payment or distribution pursuant to this Article, the Trustee may request such Person to furnish evidence to the reasonable satisfaction of the Trustee as to the amount of Senior Indebtedness held by such Person, the extent to which such Person is entitled to participate in such payment or distribution and any other facts pertinent to the rights of such Person under this Article, and if such evidence is not furnished the Trustee may defer any payment to such Person pending judicial determination as to the right of such Person to receive such payment.

SECTION 1311. RELIANCE ON JUDICIAL ORDER OR CERTIFICATE OF LIQUIDATING AGENT.

Upon any payment or distribution of assets of the Company referred to in this Article, the Trustee, subject to the provisions of Section 601 hereof, and the Holders of the Junior Subordinated Notes shall be entitled to rely upon any order or decree entered by any court of competent jurisdiction in which such Proceeding is pending, or a certificate of the trustee in bankruptcy, receiver, liquidating trustee, custodian, assignee for the benefit of creditors, agent or other Person making such payment or distribution, delivered to the Trustee or to the Holders of Junior Subordinated Notes, for the purpose of ascertaining the Persons entitled to participate in such payment or distribution, the holders of the Senior Indebtedness, the amount thereof or payable thereon, the amount or amounts paid or distributed thereon and all other facts pertinent thereto or to this Article, provided that the foregoing shall apply only if such court has been apprised of the provisions of this Article.

SECTION 1312. TRUSTEE NOT FIDUCIARY FOR HOLDERS OF SENIOR INDEBTEDNESS.

Subject to the provisions of Section 601, the Trustee shall not be deemed to owe any fiduciary duty to the holders of Senior

Indebtedness and shall not be liable to any such holders if it shall in good faith mistakenly pay over or distribute to Holders of Junior Subordinated Notes or to the Company or to any other Person cash, property or securities to which any holders of Senior Indebtedness shall be entitled by virtue of this Article or otherwise.

SECTION 1313. RIGHTS OF TRUSTEE AS HOLDER OF SENIOR INDEBTEDNESS; PRESERVATION OF TRUSTEE'S RIGHTS.

The Trustee in its individual capacity shall be entitled to all the rights set forth in this Article with respect to any Senior Indebtedness which may at any time be held by it, to the same extent as any other holder of Senior Indebtedness, and nothing in this Indenture shall deprive the Trustee of any of its rights as such holder.

Nothing in this Article shall apply to claims of, or payments to, the Trustee under or pursuant to Section 607 hereof.

SECTION 1314. ARTICLE APPLICABLE TO PAYING AGENTS.

In case at any time any Paying Agent other than the Trustee (or the Company or an Affiliate of the Company) shall have been appointed by the Company and be then acting hereunder, the term "Trustee" as used in this Article shall in such case (unless the context otherwise requires) be construed as extending to and including such Paying Agent within its meaning as fully for all intents and purposes as if such Paying Agent were named in this Article in addition to or in place of the Trustee.

SECTION 1315. RELIANCE BY HOLDERS OF SENIOR INDEBTEDNESS ON SUBORDINATION PROVISIONS.

Each Holder by accepting a Junior Subordinated Note acknowledges and agrees that the foregoing subordination provisions are, and are intended to be, an inducement and a consideration to each holder of any Senior Indebtedness, whether such Senior Indebtedness was created or acquired before or after the issuance of the Junior Subordinated Notes, to acquire and continue to hold, or to continue to hold, such Senior Indebtedness and such holder of Senior Indebtedness shall be deemed conclusively to have relied on such subordination provisions in acquiring and continuing to hold, or to continue to hold, such Senior Indebtedness.

ARTICLE FOURTEEN

MISCELLANEOUS PROVISIONS

SECTION 1401. NO RECOURSE AGAINST OTHERS.

An incorporator or any past, present or future director, officer, employee or stockholder, as such, of the Company shall not have any liability for any obligations of the Company under the Junior Subordinated Notes or this Indenture or for any claim based on, in respect of or by reason of such obligations or their creation. By accepting a Junior Subordinated Note, each Holder shall waive and release all such liability. Such waiver and release shall be part of the consideration for the issue of the Junior Subordinated Notes.

SECTION 1402. SET-OFF.

Notwithstanding anything to the contrary in this Indenture or in any Junior Subordinated Note of any series, prior to the dissolution of any Securities Trust that has issued Trust Securities related to a series of Junior Subordinated Notes, the Company shall have the right to set-off and apply against any payment it is otherwise required to make hereunder or thereunder with respect to the principal of or interest (including any Additional Interest) on the Junior Subordinated Notes of such series with and to the extent the Company has theretofore made, or is concurrently on the date of such payment making, a payment with respect to the Trust Securities of the series related to such series of Junior Subordinated Notes under the applicable Guarantee. Contemporaneously with, or as promptly as practicable after, any such payment under such Guarantee, the Company shall deliver to the Trustee an Officers' Certificate (upon which the Trustee shall be entitled to rely conclusively without any requirement to investigate the facts contained therein) to the effect that such payment has been made and that, as a result of such payment, the corresponding payment under the related series of Junior Subordinated Notes has been set-off in accordance with this Section 1402.

SECTION 1403. ASSIGNMENT; BINDING EFFECT.

The Company shall have the right at all times to assign any of its rights or obligations under this Indenture to a direct or indirect wholly-owned subsidiary of the Company, provided that, in the event of any such assignment, the Company shall remain primarily liable for the performance of all such obligations. This Indenture may also be assigned by the Company in connection with a transaction described in Article Eight. This Indenture shall be binding upon and inure to the benefit of the Company, the Trustee, the Holders, any Security Registrar, Paying Agent, and Authenticating Agent and, to the extent specifically set forth

herein, the holders of Senior Indebtedness and their respective successors and assigns. The provisions of clause (2) of Section 508 and Section 1006 are for the benefit of the holders of the series of Trust Securities referred to therein and, prior to the dissolution of the related Securities Trust, may be enforced by such holders. A holder of a Trust Security shall not have the right, as such a holder, to enforce any other provision of this Indenture.

SECTION 1404. ADDITIONAL INTEREST.

Whenever there is mentioned in this Indenture, in any context, the payment of the principal of, premium, if any, or interest on, or in respect of, any Junior Subordinated Note of any series, such mention shall be deemed to include mention of the payment of Additional Interest provided for by the terms of such series of Junior Subordinated Notes to the extent that, in such context, Additional Interest is, were or would be payable in respect thereof pursuant to such terms, and express mention of the payment of Additional Interest in any provisions hereof shall not be construed as excluding Additional Interest in those provisions hereof where such express mention is not made.

This instrument may be executed in any number of counterparts, each of which so executed shall be deemed to be an original, but all such counterparts shall together constitute but one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have caused this Indenture to be duly executed, and their respective corporate seals to be hereunto affixed and attested, all as of the day and year first above written.

GULF POWER COMPANY

By _____

Attest:

_____

THE CHASE MANHATTAN BANK
Trustee

By _____

Attest:

_____

STATE OF GEORGIA)
) SS.:
COUNTY OF FULTON)

On the 30th day of January, 1997, before me personally came G. Edison Holland, Jr. to me known, who, being by me duly sworn, did depose and say that he is Vice President of Gulf Power Company, one of the corporations described herein and which executed the foregoing instrument; that he knows the seal of said corporation; that the seal affixed to said instrument is such corporate seal; that it was so affixed by authority of the Board of Directors of said corporation, and that he signed his name thereto by like authority.

Rebecca P. Dennard
Notary Public

[SEAL]

My Commission Expires:

Notary Public, Fayette County, Georgia
My Commission Expires September 16, 1998

STATE OF NEW YORK)
) SS.:
CITY OF NEW YORK)

On the 30th day of January, 1997, before me personally came R. Lorenzen, to me known, who, being by me duly sworn, did depose and say that he is a Senior Trust Officer of The Chase Manhattan Bank, one of the corporations described herein and which executed the foregoing instrument; that he knows the seal of said corporation; that the seal affixed to said instrument is such corporate seal; that it was so affixed by authority of the Board of Directors of said corporation, and that he signed his name thereto by like authority.

Emily Fayan
Notary Public

[SEAL]

My Commission Expires: 12/31/97

EMILY FAYAN
Notary Public, State of New York
No. 24-4737006
Qualified in Kings County
Certificate Filed in New York County
Commission Expires December 31, 1997

EXHIBIT A.5.

GULF POWER COMPANY

TO

THE CHASE MANHATTTAN BANK,
TRUSTEE.

FIRST SUPPLEMENTAL INDENTURE

DATED AS OF JANUARY 1, 1997

$41,237,125

SERIES A 7.625% JUNIOR SUBORDINATED NOTES

DUE DECEMBER 31, 2036

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[1]This Table of Contents does not constitute part of the Indenture or have any bearing upon the interpretation of any of its terms and provisions.

THIS FIRST SUPPLEMENTAL INDENTURE is made as of the 1st day of January, 1997, by and between GULF POWER COMPANY, a Maine corporation, 500 Bayfront Parkway, Pensacola, Florida 32501 (the "Company"), and THE CHASE MANHATTAN BANK, a New York banking corporation, 450 West 33rd Street, New York, New York 10001 (the "Trustee").

W I T N E S S E T H:

WHEREAS, the Company has heretofore entered into a Subordinated Note Indenture, dated as of January 1, 1997 (the "Original Indenture") with The Chase Manhattan Bank;

WHEREAS, the Original Indenture is incorporated herein by this reference and the Original Indenture, as supplemented by this First Supplemental Indenture, is herein called the "Indenture";

WHEREAS, under the Original Indenture, a new series of Junior Subordinated Notes may at any time be established by the Board of Directors of the Company in accordance with the provisions of the Original Indenture and the terms of such series may be described by a supplemental indenture executed by the Company and the Trustee;

WHEREAS, the Company proposes to create under the Indenture a new series of Junior Subordinated Notes;

WHEREAS, additional Junior Subordinated Notes of other series hereafter established, except as may be limited in the Original Indenture as at the time supplemented and modified, may be issued from time to time pursuant to the Indenture as at the time supplemented and modified; and

WHEREAS, all conditions necessary to authorize the execution, delivery and recording of this First Supplemental Indenture and to make it a valid and binding obligation of the Company have been done or performed.

NOW, THEREFORE, in consideration of the agreements and obligations set forth herein and for other good and valuable consideration, the sufficiency of which is hereby acknowledged, the parties hereto hereby agree as follows:

ARTICLE 1

Series A Junior Subordinated Notes

SECTION 101. Establishment. There is hereby established a new series of Junior Subordinated Notes to be issued under the Indenture, to be designated as the Company's Series A 7.625% Junior Subordinated Notes due December 31, 2036 (the "Series A Notes").

There are to be authenticated and delivered $41,237,125 principal amount of Series A Notes, and no further Series A Notes shall be authenticated and delivered except as provided by Sections 203, 303, 304, 907 or 1107 of the Original Indenture. The Series A Notes shall be issued in definitive fully registered form.

The Series A Notes shall be in substantially the form set out in Exhibit A hereto. The entire principal amount of the Series A Notes shall initially be evidenced by one certificate issued to the Property Trustee of Gulf Power Capital Trust I.

The form of the Trustee's Certificate of Authentication for the Series A Notes shall be in substantially the form set forth in Exhibit B hereto.

Each Series A Note shall be dated the date of authentication thereof and shall bear interest from the date of original issuance thereof or from the most recent Interest Payment Date to which interest has been paid or duly provided for.

SECTION 102. Definitions. The following defined terms used herein shall, unless the context otherwise requires, have the meanings specified below. Capitalized terms used herein for which no definition is provided herein shall have the meanings set forth in the Original Indenture.

"Deferred Interest" means each installment of interest not paid during any Extension Period, and interest thereon. Deferred installments of interest shall bear interest at the rate of 7.625% per annum from the applicable Interest Payment Date to the date of payment, compounded quarterly.

"Extension Period" means any period during which the Company has elected to defer payments of interest, which deferral may be for a period of up to twenty (20) consecutive quarters.

"Interest Payment Dates" means March 31, June 30, September 30, and December 31 of each year.

"Investment Company Act Event" means that the Company shall have received an Opinion of Counsel to the effect that, as a result of the occurrence of a change in law or regulation or a written change in interpretation or application of law or regulation by any legislative body, court, governmental agency or regulatory authority, there is more than an insubstantial risk that the Securities Trust is or will be considered an "investment company" that is required to be registered under the Investment Company Act of 1940, as amended, which change becomes effective on or after the Original Issue Date.

"Original Issue Date" means January 31, 1997.

"Regular Record Date" means, with respect to each Interest Payment Date, the close of business on the 15th calendar day preceding such Interest Payment Date.

"Securities Trust" means Gulf Power Capital Trust I, a statutory business trust formed by the Company under Delaware law to issue Trust Securities, the proceeds of which will be used to purchase Series A Notes.

"Special Event" means an Investment Company Act Event or Tax Event.

"Stated Maturity" means December 31, 2036.

"Tax Event" means that the Company shall have received an Opinion of Counsel experienced in such matters to the effect that, as a result of (a) any amendment to, or change (including any announced prospective change) in, laws (or any regulations thereunder) of the United States or any political subdivision or taxing authority thereof or therein or (b) any amendment to, or change in, an interpretation or application of such laws or regulations, there is more than an insubstantial risk that (i) the Securities Trust would be subject to United States federal income tax with respect to income accrued or received on the Series A Notes, (ii) interest payable to the Securities Trust on the Series A Notes would not be deductible by the Company for United States federal income tax purposes, or (iii) the Securities Trust would be subject to more than a *de minimis* amount of other taxes, duties or other governmental charges, which change or amendment becomes effective on or after the Original Issue Date.

SECTION 103. Payment of Principal and Interest. The unpaid principal amount of the Series A Notes shall bear interest at the rate of 7.625% per annum until paid or duly provided for. Interest shall be paid quarterly in arrears on each Interest Payment Date to the Person in whose name the Series A Notes are registered on the Regular Record Date for such Interest Payment Date, *provided* that interest payable at the Stated Maturity of principal or on a Redemption Date as provided herein will be paid to the Person to whom principal is payable. So long as an Extension Period is not occurring, any such interest that is not so punctually paid or duly provided for will forthwith cease to be payable to the Holders on such Regular Record Date and may either be paid to the Person or Persons in whose name the Series A Notes are registered at the close of business on a Special Record Date for the payment of such defaulted interest to be fixed by the Trustee ("Special Record Date"), notice whereof shall be given to Holders of the Series A Notes not less than ten (10) days prior to

such Special Record Date, or be paid at any time in any other lawful manner not inconsistent with the requirements of any securities exchange, if any, on which the Series A Notes shall be listed, and upon such notice as may be required by any such exchange, all as more fully provided in the Original Indenture.

Payments of interest on the Series A Notes will include interest accrued to but excluding the respective Interest Payment Dates. Interest payments for the Series A Notes shall be computed and paid on the basis of a 360-day year of twelve 30-day months. In the event that any date on which interest is payable on the Series A Notes is not a Business Day, then a payment of the interest payable on such date will be made on the next succeeding day that is a Business Day, except that, if such Business Day is in the next succeeding calendar year, such payment shall be made on the immediately preceding Business Day, in each case with the same force and effect as if made on the date the payment was originally payable.

Payment of the principal and interest (including Additional Interest, if any) due at the Stated Maturity or earlier redemption of the Series A Notes shall be made upon surrender of the Series A Notes at the Corporate Trust Office of the Trustee, in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts. Payments of interest (including interest on any Interest Payment Date) will be made, subject to such surrender where applicable, at the option of the Company, (i) by check mailed to the address of the Person entitled thereto as such address shall appear in the Security Register or (ii) by wire transfer at such place and to such account at a banking institution in the United States as may be designated in writing to the Trustee at least sixteen (16) days prior to the date for payment by the Person entitled thereto.

The Company shall pay, as additional interest on the Series A Notes, when due to the United States or any other taxing authority, the amounts set forth in clause (i) of the definition of Additional Interest.

SECTION 104. Deferral of Interest Payments. The Company has the right at any time and from time to time to extend the interest payment period of the Series A Notes for up to twenty (20) consecutive quarters (each, an "Extension Period"), but not beyond the Stated Maturity. Notwithstanding the foregoing, the Company has no right to extend its obligation to pay such amounts as are defined in clause (i) of the definition of Additional Interest. Prior to the termination of any such Extension Period, the Company may further extend the interest payment period, provided that such Extension Period, together with all such previous and further extensions of that Extension Period, shall not exceed twenty (20) consecutive quarters. Upon the termination

of any such Extension Period and upon the payment of all accrued and unpaid interest and any Additional Interest then due, the Company may select a new Extension Period, subject to the above limitations and requirements.

Upon the termination of any Extension Period, which termination shall be on an Interest Payment Date, the Company shall pay all Deferred Interest on the next succeeding Interest Payment Date to the Person in whose name the Series A Notes are registered on the Regular Record Date for such Interest Payment Date, *provided* that Deferred Interest payable at Stated Maturity or on any Redemption Date will be paid to the Person to whom principal is payable.

If the Company shall have given notice of its election to select any Extension Period, the Company shall not (i) declare or pay any dividend or distribution on, or redeem, purchase, acquire or make a liquidation payment with respect to, any of its capital stock, or make any guarantee payments with respect to the foregoing and (ii) make any payment of interest, principal or premium, if any, on or repay, repurchase or redeem any debt securities (including guarantees other than its guarantee of the Preferred Securities issued by the Securities Trust) issued by the Company that rank pari passu with or junior to the Series A Notes.

The Company shall give the Holder or Holders of the Series A Notes and the Trustee notice, as provided in Sections 105 and 106, respectively, of the Original Indenture, of its selection or extension of an Extension Period at least one Business Day prior to the earlier of (i) the Regular Record Date relating to the Interest Payment Date on which the Extension Period is to commence or relating to the Interest Payment Date on which an Extension Period that is being extended would otherwise terminate, or (ii) the date the Company or Securities Trust is required to give notice to the New York Stock Exchange or other applicable self-regulatory organization of the record date or the date such distributions are payable. The Company shall cause the Securities Trust to give notice of the Company's selection of such Extension Period to Holders of the Trust Securities. The month in which any notice is given pursuant to the immediately preceding sentence of this Section shall constitute the first month of the first quarter of the twenty (20) quarters, which comprise the Maximum Extension Period.

At any time any of the foregoing notices are given to the Trustee, the Company shall give to the Paying Agent for the Series A Notes such information as said Paying Agent shall reasonably require in order to fulfill its tax reporting obligations with respect to such Series A Notes.

SECTION 105. Denominations. The Series A Notes may be issued in the denominations of $25, or any integral multiple thereof.

SECTION 106. Global Securities. If the Series A Notes are distributed to Holders of the Trust Securities of the Securities Trust in liquidation of such Holders' interests therein, the Series A Notes will be issued in the form of one or more Global Securities registered in the name of the Depositary (which shall be The Depository Trust Company) or its nominee. Except under the limited circumstances described below, Series A Notes represented by the Global Security will not be exchangeable for, and will not otherwise be issuable as, Series A Notes in definitive form. The Global Securities described above may not be transferred except by the Depositary to a nominee of the Depositary or by a nominee of the Depositary to the Depositary or another nominee of the Depositary or to a successor Depositary or its nominee.

Owners of beneficial interests in such a Global Security will not be considered the Holders thereof for any purpose under the Indenture, and no Global Security representing a Series A Note shall be exchangeable, except for another Global Security of like denomination and tenor to be registered in the name of the Depositary or its nominee or to a successor Depositary or its nominee. The rights of Holders of such Global Security shall be exercised only through the Depositary.

A Global Security shall be exchangeable for Series A Notes registered in the names of persons other than the Depositary or its nominee only if (i) the Depositary notifies the Company that it is unwilling or unable to continue as a Depositary for such Global Security and no successor Depositary shall have been appointed, or if at any time the Depositary ceases to be a clearing agency registered under the Securities Exchange Act of 1934, as amended, at a time when the Depositary is required to be so registered to act as such Depositary and no successor Depositary shall have been appointed, (ii) the Company in its sole discretion determines that such Global Security shall be so exchangeable, or (iii) there shall have occurred an Event of Default with respect to the Series A Notes. Any Global Security that is exchangeable pursuant to the preceding sentence shall be exchangeable for Series A Notes registered in such names as the Depositary shall direct.

SECTION 107. Transfer. No service charge will be made for any transfer or exchange of Series A Notes, but payment will be required of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection therewith.

The Company shall not be required (a) to issue, transfer or exchange any Series A Notes during a period beginning at the

opening of business fifteen (15) days before the day of the mailing of a notice identifying the serial numbers of the Series A Notes to be called for redemption, and ending at the close of business on the day of the mailing, or (b) to transfer or exchange any Series A Notes theretofore selected for redemption in whole or in part, except the unredeemed portion of any Series A Note redeemed in part.

SECTION 108. Redemption. The Series A Notes shall be subject to redemption at the option of the Company, in whole or in part, without premium or penalty, at any time or from time to time on or after January 31, 2002, at a Redemption Price equal to 100% of the principal amount to be redeemed plus accrued but unpaid interest, including Additional Interest, if any, to the Redemption Date; *provided, however,* that if a redemption in part shall result in the delisting of the Preferred Securities issued by the Securities Trust, the Company may only redeem the Series A Notes in whole. In addition, upon the occurrence of a Special Event at any time, the Company may, within ninety (90) days following the occurrence thereof and subject to the terms and conditions of the Indenture, elect to redeem the Series A Notes, in whole, at a price equal to 100% of the principal amount to be redeemed plus any accrued but unpaid interest (including Additional Interest) to the Redemption Date.

In the event of redemption of the Series A Notes in part only, a new Series A Note or Notes for the unredeemed portion will be issued in the name or names of the Holders thereof upon the surrender thereof.

The Series A Notes will not have a sinking fund.

Notice of redemption shall be given as provided in Section 1104 of the Original Indenture.

Any redemption of less than all of the Series A Notes shall, with respect to the principal thereof, be divisible by $25.

ARTICLE 2

Miscellaneous Provisions

SECTION 201. Recitals by Company. The recitals in this First Supplemental Indenture are made by the Company only and not by the Trustee, and all of the provisions contained in the Original Indenture in respect of the rights, privileges, immunities, powers and duties of the Trustee shall be applicable in respect of Series A Notes and of this First Supplemental Indenture as fully and with like effect as if set forth herein in full.

SECTION 202. Ratification and Incorporation of Original Indenture. As supplemented hereby, the Original Indenture is in all respects ratified and confirmed, and the Original Indenture, as heretofore supplemented and modified, and this First Supplemental Indenture shall be read, taken and construed as one and the same instrument.

SECTION 203. Executed in Counterparts. This First Supplemental Indenture may be simultaneously executed in several counterparts, each of which shall be deemed to be an original, and such counterparts shall together constitute but one and the same instrument.

SECTION 204. Listing of Notes. If the Series A Notes are to be issued as a Global Security in connection with the distribution of the Series A Notes to the Holders of the Preferred Securities issued by the Securities Trust, the Company will use its best efforts to list such Series A Notes on the New York Stock Exchange or any such other exchange on which such Preferred Securities are then listed and traded.

41925

IN WITNESS WHEREOF, each party hereto has caused this instrument to be signed in its name and behalf by its duly authorized officers, all as of the day and year first above written.

ATTEST:

By: _____
Assistant Secretary

GULF POWER COMPANY

By: _____

ATTEST:

By: _____

THE CHASE MANHATTAN BANK

By: _____
R. LORENZ

EXHIBIT A

FORM OF SERIES A NOTE

NO. 1 CUSIP NO. 402 479 BE8

THE INDEBTEDNESS EVIDENCED BY THIS SECURITY IS, TO THE EXTENT PROVIDED IN THE INDENTURE, SUBORDINATE AND SUBJECT IN RIGHT OF PAYMENT TO THE PRIOR PAYMENT IN FULL OF ALL SENIOR INDEBTEDNESS AND THIS SECURITY IS ISSUED SUBJECT TO THE PROVISIONS OF THE INDENTURE WITH RESPECT THERETO.

GULF POWER COMPANY
SERIES A 7.625% JUNIOR SUBORDINATED NOTE
DUE DECEMBER 31, 2036

Principal Amount:	$_____
Regular Record Date:	15th calendar day prior to Interest Payment Date
Original Issue Date:	January 31, 1997
Stated Maturity:	December 31, 2036
Interest Payment Dates:	March 31, June 30, September 30 and December 31
Interest Rate:	7.625% per annum
Authorized Denomination:	$25
Initial Redemption Date:	January 31, 2002

Gulf Power Company, a Maine corporation (the "Company", which term includes any successor corporation under the Indenture referred to on the reverse hereof), for value received, hereby promises to pay to _____, or registered assigns, the principal sum of _____ DOLLARS ($_____) on the Stated Maturity shown above (or upon earlier redemption), and to pay interest thereon from the Original Issue Date shown above, or from the most recent Interest Payment Date to which interest has been paid or duly provided for, quarterly in arrears on each Interest Payment Date as specified above, commencing on the Interest Payment Date next succeeding the Original Issue Date shown above and on the Stated Maturity (or upon earlier redemption) at the rate per annum shown above until the principal hereof is paid or made available for payment and on any overdue principal and on any overdue installment of interest. The interest so payable, and punctually paid or duly provided for, on any Interest Payment Date (other than an Interest Payment Date that is the Stated Maturity or on a Redemption Date) will, as provided in such Indenture, be paid to the Person in whose name

this Note (the "Note") is registered at the close of business on the Regular Record Date as specified above next preceding such Interest Payment Date, provided that any interest payable at Stated Maturity or on any Redemption Date will be paid to the Person to whom principal is payable. Except as otherwise provided in the Indenture, any such interest not so punctually paid or duly provided for will forthwith cease to be payable to the Holder on such Regular Record Date and may either be paid to the Person in whose name this Note is registered at the close of business on a Special Record Date for the payment of such defaulted interest to be fixed by the Trustee, notice whereof shall be given to Holders of Notes of this series not less than 10 days prior to such Special Record Date, or be paid at any time in any other lawful manner not inconsistent with the requirements of any securities exchange, if any, on which the Notes of this series shall be listed, and upon such notice as may be required by any such exchange, all as more fully provided in the Indenture.

Payments of interest on this Note will include interest accrued to but excluding the respective Interest Payment Dates. Interest payments for this Note shall be computed and paid on the basis of a 360-day year of twelve 30-day months. In the event that any date on which interest is payable on this Note is not a Business Day, then payment of the interest payable on such date will be made on the next succeeding day that is a Business Day, except that, if such Business Day is in the next succeeding calendar year, payment shall be made on the immediately preceding Business Day, in each case with the same force and effect as if made on the date the payment was originally payable. A "Business Day" shall mean any day other than a Saturday or a Sunday or a day on which banking institutions in New York City are authorized or required by law or executive order to remain closed or a day on which the Corporate Trust Office of the Trustee or the principal corporate trust office of the Property Trustee of the Securities Trust are closed for business.

The Company shall have the right at any time and from time to time during the term of this Note to extend the interest payment period of such Note for up to 20 consecutive quarters but not beyond the Stated Maturity of this Note (each, an "Extension Period"), during which periods unpaid interest (together with interest thereon) will compound quarterly at the Interest Rate ("Deferred Interest"). Upon the termination of each Extension Period, which shall be an Interest Payment Date, the Company shall pay all Deferred Interest on the next succeeding Interest Payment Date to the Person in whose name this Note is registered at the close of business on the Regular Record Date for such Interest Payment Date, provided that any Deferred Interest payable at Stated Maturity or on any Redemption Date will be paid to the Person to whom principal is payable. Prior to the termination of any such Extension Period, the Company may extend the interest

payment period, provided that such Extension Period together with all such previous and further extensions thereof shall not exceed 20 consecutive quarters. Upon the termination of any such Extension Period, and the payment of all accrued and unpaid interest and any Additional Interest then due, the Company may select a new Extension Period, subject to the above requirements. If the Company shall have given notice of its election to select any Extension Period, the Company shall not (i) declare or pay any dividend or distribution on, or redeem, purchase, acquire or make a liquidation payment with respect to, any of its capital stock, or make any guarantee payments with respect to the foregoing and (ii) make any payment of interest, principal or premium, if any, on or repay, repurchase or redeem any debt securities (including guarantees other than its guarantee of the Preferred Securities issued by the Securities Trust) issued by the Company that rank pari passu with or junior to this Note. The Company shall give the Holder of this Note and the Trustee notice of its selection or extension of an Extension Period at least one Business Day prior to the earlier of (i) the Regular Record Date relating to the Interest Payment Date on which the Extension Period is to commence or relating to the Interest Payment Date on which an Extension Period that is being extended would otherwise terminate or (ii) the date the Company or Securities Trust is required to give notice to the New York Stock Exchange or other applicable self-regulatory organization of the record date or the date distributions are payable.

The Company also shall be obligated to pay when due and without extension all additional amounts as may be required so that the net amount received and retained by the Holder of this Note (if the Holder is a Securities Trust) after paying taxes, duties, assessments or governmental charges of whatever nature (other than withholding taxes) imposed by the United States or any other taxing authority will not be less than the amounts such Holder would have received had no such taxes, duties, assessments, or other governmental charges been imposed.

Payment of the principal of and interest (including Additional Interest, if any) due at the Stated Maturity or earlier redemption of the Series A Notes shall be made upon surrender of the Series A Notes at the Corporate Trust Office of the Trustee, in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts. Payment of interest (including interest on an Interest Payment Date) will be made, subject to such surrender where applicable, at the option of the Company, (i) by check mailed to the address of the Person entitled thereto as such address shall appear in the Security Register or (ii) by wire transfer at such place and to such account at a banking institution in the United States as may be designated in writing to the Trustee at least 16 days prior to the date for payment by the Person entitled thereto.

The indebtedness evidenced by this Note is, to the extent provided in the Indenture, subordinate and subject in right of payment to the prior payment in full of all Senior Indebtedness (as defined in the Indenture), and this Note is issued subject to the provisions of the Indenture with respect thereto. Each Holder of this Note, by accepting the same, (a) agrees to and shall be bound by such provisions, (b) authorizes and directs the Trustee on his behalf to take such action as may be necessary or appropriate to effectuate the subordination so provided, and (c) appoints the Trustee his attorney-in-fact for any and all such purposes. Each Holder hereof, by his acceptance hereof, waives all notice of the acceptance of the subordination provisions contained herein and in the Indenture by each holder of Senior Indebtedness, whether now outstanding or hereafter incurred, and waives reliance by each such holder upon said provisions.

REFERENCE IS HEREBY MADE TO THE FURTHER PROVISIONS OF THIS NOTE SET FORTH ON THE REVERSE HEREOF, WHICH FURTHER PROVISIONS SHALL FOR ALL PURPOSES HAVE THE SAME EFFECT AS IF SET FORTH AT THIS PLACE.

Unless the certificate of authentication hereon has been executed by the Trustee by manual signature, this Note shall not be entitled to any benefit under the Indenture or be valid or obligatory for any purpose.

1335

IN WITNESS WHEREOF, the Company has caused this instrument to be duly executed under its corporate seal.

Dated: _____ __, 19__.

GULF POWER COMPANY

By: _____

Attest:

_____
Assistant Secretary

(Seal of GULF POWER COMPANY appears here)

CERTIFICATE OF AUTHENTICATION

This is one of the Notes referred to in the within-mentioned Indenture.

THE CHASE MANHATTAN BANK,
as Trustee

By: _____
Authorized Officer

(Reverse Side of Note)

This Note is one of a duly authorized issue of Junior Subordinated Notes of the Company (the "Notes"), issued and issuable in one or more series under a Subordinated Note Indenture, dated as of January 1, 1997, as supplemented (the "Indenture"), between the Company and The Chase Manhattan Bank, Trustee (the "Trustee," which term includes any successor trustee under the Indenture), to which Indenture and all indentures incidental thereto reference is hereby made for a statement of the respective rights, limitation of rights, duties and immunities thereunder of the Company, the Trustee and the Holders of the Notes issued thereunder and of the terms upon which said Notes are, and are to be, authenticated and delivered. This Note is one of the series designated on the face hereof as Series A 7.625% Junior Subordinated Notes due December 31, 2036 (the "Series A Notes") in the aggregate principal amount of up to $41,237,125. Capitalized terms used herein for which no definition is provided herein shall have the meanings set forth in the Indenture.

The Company shall have the right, subject to the terms and conditions of the Indenture, to redeem this Note at any time on or after January 31, 2002 at the option of the Company, without premium or penalty, in whole or in part, at a Redemption Price equal to 100% of the principal amount to be redeemed plus accrued but unpaid interest, including any Additional Interest, if any, to the Redemption Date. Upon the occurrence of a Special Event (as defined below) at any time, the Company may, within 90 days following the occurrence thereof and subject to the terms and conditions of the Indenture, redeem this Note without premium or penalty, in whole, at a Redemption Price equal to 100% of the principal amount thereof plus accrued but unpaid interest, including any Additional Interest, if any, to the Redemption Date. A Special Event may be a Tax Event or an Investment Company Act Event. "Tax Event" means that the Company shall have received an Opinion of Counsel experienced in such matters to the effect that, as a result of (a) any amendment to, or change (including any announced prospective change) in, laws (or any regulations thereunder) of the United States or any political subdivision or taxing authority thereof or therein or (b) any amendment to, or change in, an interpretation or application of such laws or regulations, there is more than an insubstantial risk that (i) the related Securities Trust would be subject to United States federal income tax with respect to income accrued or received on the Series A Notes, (ii) interest payable to the related Securities Trust would not be deductible by the Company for United States federal income tax purposes, or (iii) the related Securities Trust would be subject to more than a de minimis amount of other taxes, duties or other governmental charges, which change or amendment becomes effective on or after the Original Issue Date.

"

"Investment Company Act Event" means that the Company shall have received an Opinion of Counsel to the effect that, as a result of the occurrence of a change in law or regulation or a written change in interpretation or application of law or regulation by any legislative body, court, governmental agency or regulatory authority, there is more than an insubstantial risk that the related Securities Trust is or will be considered an "investment company" which is required to be registered under the Investment Company Act of 1940, as amended, which change becomes effective on or after the Original Issue Date.

In the event of redemption of this Note in part only, a new Note or Notes of this series for the unredeemed portion hereof will be issued in the name of the Holder hereof upon the surrender hereof. The Notes will not have a sinking fund.

If an Event of Default with respect to the Notes of this series shall occur and be continuing, the principal of the Notes of this series may be declared due and payable in the manner, with the effect and subject to the conditions provided in the Indenture.

The Indenture permits, with certain exceptions as therein provided, the amendment thereof and the modification of the rights and obligations of the Company and the rights of the Holders of the Notes of each series to be affected under the Indenture at any time by the Company and the Trustee with the consent of the Holders of not less than a majority in principal amount of the Notes at the time Outstanding of each series to be affected. The Indenture also contains provisions permitting the Holders of specified percentages in principal amount of the Notes of each series at the time Outstanding, on behalf of the Holders of all Notes of such series, to waive compliance by the Company with certain provisions of the Indenture and certain past defaults under the Indenture and their consequences. Any such consent or waiver by the Holder of this Note shall be conclusive and binding upon such Holder and upon all future Holders of this Note and of any Note issued upon the registration of transfer hereof or in exchange hereof or in lieu hereof, whether or not notation of such consent or waiver is made upon this Note.

No reference herein to the Indenture and no provision of this Note or of the Indenture shall alter or impair the obligation of the Company, which is absolute and unconditional, to pay the principal of and interest on this Note at the times, place and rate, and in the coin or currency, herein prescribed.

As provided in the Indenture and subject to certain limitations therein set forth, the transfer of this Note is registrable in the Security Register, upon surrender of this Note for registration of transfer at the office or agency of the

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Company for such purpose, duly endorsed by, or accompanied by a written instrument of transfer in form satisfactory to the Company and the Security Registrar and duly executed by, the Holder hereof or his attorney duly authorized in writing, and thereupon one or more new Notes of this series, of authorized denominations and of like tenor and for the same aggregate principal amount, will be issued to the designated transferee or transferees. No service charge shall be made for any such registration of transfer or exchange, but the Company may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith.

Prior to due presentment of this Note for registration of transfer, the Company, the Trustee and any agent of the Company or the Trustee may treat the Person in whose name this Note is registered as the owner hereof for all purposes, whether or not this Note be overdue, and neither the Company, the Trustee nor any such agent shall be affected by notice to the contrary.

The Notes of this series are issuable only in registered form without coupons in denominations of $25 and any integral multiple thereof. As provided in the Indenture and subject to certain limitations therein set forth, Notes of this series are exchangeable for a like aggregate principal amount of Notes of this series of a different authorized denomination, as requested by the Holder surrendering the same upon surrender of the Note or Notes to be exchanged at the office or agency of the Company.

This Note shall be governed by, and construed in accordance with, the internal laws of the State of New York.

ABBREVIATIONS

The following abbreviations, when used in the inscription on the face of this instrument, shall be construed as though they were written out in full according to applicable laws or regulations:

TEN COM-	as tenants in common	UNIF GIFT MIN ACT-	_____ Custodian _____ (Cust) (Minor)
TEN ENT-	as tenants by the entireties		under Uniform Gifts to Minors Act
JT TEN-	as joint tenants with right of survivorship and not as tenants in common		_____ (State)

Additional abbreviations may also be used though not on the above list.

FOR VALUE RECEIVED, the undersigned hereby sell(s) and transfer(s) unto _____ (please insert Social Security or other identifying number of assignee)

_____

PLEASE PRINT OR TYPEWRITE NAME AND ADDRESS, INCLUDING POSTAL ZIP CODE OF ASSIGNEE

_____

_____

the within Note and all rights thereunder, hereby irrevocably constituting and appointing

_____

_____

agent to transfer said Note on the books of the Company, with full power of substitution in the premises.

Dated: _____ _____

_____

NOTICE: The signature to this assignment must correspond with the name as written upon the face of the within instrument in every particular without alteration or enlargement, or any change whatever.

EXHIBIT B

CERTIFICATE OF AUTHENTICATION

This is one of the Notes referred to in the within-mentioned Indenture.

THE CHASE MANHATTAN BANK
as Trustee

By:_____
Authorized Officer

EXHIBIT A.6.

1,600,000 Preferred Securities

Gulf Power Capital Trust I
(a Delaware Statutory Business Trust)

7.625% Trust Cumulative Quarterly Income Preferred Securities
(Liquidation Amount $25 Per Preferred Security)

UNDERWRITING AGREEMENT

January 27, 1997

Goldman, Sachs & Co.
85 Broad Street
New York, New York 10004

Ladies and Gentlemen:

Gulf Power Capital Trust I (the "Trust"), a statutory business trust organized under the Business Trust Act (the "Delaware Act") of the State of Delaware (Chapter 38, Title 12, of the Delaware Code, 12 Del. C. (§) 3801 et seq.), and Gulf Power Company, a Maine corporation (the "Company" and, together with the Trust, the "Offerors"), confirm their agreement (the "Agreement") with you and each of the other Underwriters named in Schedule I hereto (collectively, the "Underwriters", which term shall also include any underwriter substituted as hereinafter provided in Section 10 hereof), for whom you are acting as representative (in such capacity, you shall hereinafter be referred to as the "Representative"), with respect to the sale by the Trust and the purchase by the Underwriters, acting severally and not jointly, of the respective numbers of 7.625% Trust Cumulative Quarterly Income Preferred Securities (liquidation amount $25 per preferred security) of the Trust ("Preferred Securities") set forth in Schedule I. The Preferred Securities will be guaranteed by the Company with respect to distributions and payments upon liquidation, redemption and otherwise (the "Guarantee") pursuant to the Preferred Securities Guarantee Agreement (the "Guarantee Agreement"), dated as of January 1, 1997, between the Company and The Chase Manhattan Bank, as trustee (the "Guarantee Trustee"). The Preferred Securities and the related Guarantee are referred to herein as the "Securities."

The Offerors understand that the Underwriters propose to make a public offering of the Preferred Securities as soon as the Representative deems advisable after this Agreement has been executed and delivered. The entire proceeds from the sale of the Securities will be combined with the entire proceeds from the sale by the Trust to the Company of its common securities (the "Common Securities") and will be used by the Trust to purchase the $41,237,125 aggregate principal amount of Series A 7.625% Junior Subordinated Notes (the "Junior Subordinated Notes") to be issued by the Company. The Preferred Securities and the Common Securities will be issued pursuant to the Amended and Restated Trust Agreement, dated as of January 1, 1997 (the "Trust Agreement"), among the Company, as Depositor, Linda Malone and Wayne Boston (the "Administrative Trustees"), Chase Manhattan Bank Delaware, a Delaware banking corporation (the "Delaware Trustee") and The Chase Manhattan Bank, a New York banking corporation (the "Property Trustee" and, together with the Delaware Trustee and the Administrative Trustees, the "Trustees"), as trustees, and the holders from time to time of undivided beneficial interests in the assets of the Trust. The Junior Subordinated Notes will be issued pursuant to an indenture, dated as of January 1, 1997 (the "Base Indenture"), between the Company and The Chase Manhattan Bank, as trustee (the "Debt Trustee"), and a first supplemental indenture to the Base Indenture, dated as of January 1, 1997 (the "Supplemental Indenture," and together with the Base Indenture and any other amendments or supplements thereto, the "Indenture"), between the Company and the Debt Trustee.

SECTION 1. REPRESENTATIONS AND WARRANTIES. The Offerors jointly and severally represent and warrant to each Underwriter as follows:

(a) A registration statement on Form S-3, as amended (File Nos. 333-19271, 333-19271-01 and 333-19271-02), in respect of the Preferred Securities, the Guarantee and the Junior Subordinated Notes has been prepared and filed in accordance with the provisions of the Securities Act of 1933, as amended (the "1933 Act"), with the Securities and Exchange Commission (the "Commission"); such registration statement, as amended, and any post-effective amendment thereto, each in the form heretofore delivered or to be delivered to you, and to you for each of the other Underwriters, has been declared effective by the Commission in such form (except that copies of the registration statement, as amended, and any post-effective amendment delivered to you for each of the other Underwriters need not include exhibits but shall include all documents incorporated by reference therein); and no stop order suspending the effectiveness of such registration statement has been

issued and no proceeding for that purpose has been initiated or, to the best knowledge of the Company, threatened by the Commission (any preliminary prospectus, as supplemented by a preliminary prospectus supplement, included in such registration statement or filed with the Commission pursuant to Rule 424(a) of the rules and regulations of the Commission under the 1933 Act, being hereinafter called a "Preliminary Prospectus"); such registration statement, as it became effective, including the exhibits thereto and all documents incorporated by reference therein pursuant to Item 12 of Form S-3 at the time such registration statement became effective, being hereinafter called the "Registration Statement"; the prospectus relating to the Preferred Securities, the Guarantee and the Junior Subordinated Notes, in the form in which it was included in the Registration Statement at the time it became effective, being hereinafter called the "Prospectus"; any reference herein to any Preliminary Prospectus or the Prospectus shall be deemed to refer to and include the documents incorporated by reference therein pursuant to Item 12 of Form S-3 under the 1933 Act, as of the date of such Preliminary Prospectus or Prospectus, as the case may be; any reference to any amendment or supplement to any Preliminary Prospectus or the Prospectus shall be deemed to refer to and include any documents filed after the date of such Preliminary Prospectus or Prospectus, as the case may be, under the Securities Exchange Act of 1934, as amended (the "1934 Act"), and incorporated by reference in such Preliminary Prospectus or Prospectus, as the case may be; any reference to any amendment to the Registration Statement shall be deemed to refer to and include any annual report of the Company filed pursuant to Section 13(a) or 15(d) of the 1934 Act after the effective date of the Registration Statement that is incorporated by reference in the Registration Statement; the Prospectus as supplemented by a preliminary prospectus supplement dated January 21, 1997 relating to the Preferred Securities, including any documents incorporated by reference therein as of such date, being hereinafter called the "Preliminary Supplemented Prospectus"; and the Prospectus as amended or supplemented in final form by a prospectus supplement relating to the Preferred Securities in the form in which it is filed with the Commission, pursuant to Rule 424(b) under the 1933 Act in accordance with Section 3(g) hereof, including any documents incorporated by reference therein as of the date of such filing, being hereinafter called the "Final Supplemented Prospectus").

(b) The documents incorporated by reference in the Registration Statement or Prospectus, when they were filed with the Commission complied in all material respects with the applicable provisions of the 1934 Act and the rules and regulations of the Commission thereunder, and as of such time of filing, when read together with the Prospectus, none of such documents contained an untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; and any further documents so filed and incorporated by reference in the Prospectus or any further amendment or supplement thereto, when such documents are filed with the Commission, will comply in all material respects with the applicable provisions of the 1934 Act and the rules and regulations of the Commission thereunder and, when read together with the Prospectus as it otherwise may be amended or supplemented, will not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, except that neither the Trust nor the Company makes any warranty or representation to any Underwriter with respect to: (A) any statements or omissions made in reliance upon and in conformity with information furnished in writing to the Trust or the Company by an Underwriter through you expressly for use in the Preliminary Supplemented Prospectus or the Final Supplemented Prospectus; or (B) any information set forth in the Preliminary Supplemented Prospectus or the Final Supplemented Prospectus under the caption "Book-Entry-Only Issuance -- The Depository Trust Company".

(c) The Preliminary Prospectus, at the time of filing thereof, complied in all material respects with the applicable provisions of the 1933 Act and the rules and regulations of the Commission thereunder and did not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(d) The Registration Statement, the Prospectus and, to the extent not used to confirm sales of the Securities, the Preliminary Supplemented Prospectus, comply, and the Final Supplemented Prospectus and any further amendments or supplements to the Registration Statement or the Prospectus, when any such post-effective amendments are declared effective or

supplements are filed with the Commission, as the case may be, will comply, in all material respects with the applicable provisions of the 1933 Act, the 1934 Act, the 1939 Act (hereinafter defined) and the General Rules and Regulations of the Commission thereunder and do not and will not, (i) as of the applicable effective date as to the Registration Statement and any amendment thereto, (ii) as of the filing date thereof as to the Preliminary Supplemented Prospectus, and (iii) as of the applicable filing date as to the Final Supplemented Prospectus and any Prospectus as further amended or supplemented, contain an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading; except that neither the Company nor the Trust makes any warranties or representations with respect to (A) that part of the Registration Statement which shall constitute the Statements of Eligibility (Form T-1) (collectively, the "Form T-1") under the Trust Indenture Act of 1939, as amended (the "1939 Act"), (B) statements or omissions made in the Registration Statement, the Preliminary Supplemented Prospectus, or the Final Supplemented Prospectus in reliance upon and in conformity with information furnished in writing to the Trust or the Company by an Underwriter expressly for use therein or (C) any information set forth in the Preliminary Supplemented Prospectus or the Final Supplemented Prospectus under the caption "Book-Entry Only Issuance -- The Depository Trust Company".

(e) With respect to the Registration Statement, the conditions for use of Form S-3, as set forth in the General Instructions thereof, have been satisfied.

(f) Since the respective dates as of which information is given in the Registration Statement and the Final Supplemented Prospectus, except as otherwise stated therein, there has been no material adverse change in the business, properties or financial condition of the Company.

(g) Since the respective dates as of which information is given in the Registration Statement and the Final Supplemented Prospectus, except as otherwise stated therein, there has not been any material adverse change or, to the best of the Company's knowledge, any development involving a prospective material adverse change in or affecting the business, properties or financial condition of the Trust.

(h) The Company is a corporation duly organized and existing under the laws of the State of Maine, is duly qualified to carry on its business as a foreign corporation under the laws of the States of Florida, Georgia and Mississippi, and has due corporate authority to carry on the public utility business in which it is engaged and to own and operate the properties used by it in such business, to enter into and perform its obligations under this Agreement, the Trust Agreement, the Indenture and the Guarantee Agreement and to purchase, own, and hold the Common Securities issued by the Trust and to issue and deliver the Junior Subordinated Notes and the Guarantee.

(i) The Trust has been duly created and is validly existing and in good standing as a business trust under the Delaware Act with the power and authority to own property and to conduct its business as described in the Registration Statement and Final Supplemented Prospectus and to enter into and perform its obligations under this Agreement and the Trust Agreement; the Trust is duly qualified to transact business as a foreign company and is in good standing in any other jurisdiction in which such qualification is necessary, except to the extent that the failure to so qualify or be in good standing would not have a material adverse effect or the Trust; the Trust is not a party to or otherwise bound by any agreement other than those described in the Final Supplemented Prospectus; the Trust is and will be classified for United States federal income tax purposes as a grantor trust and not as an association taxable as a corporation; and the Trust is and will be treated as a consolidated subsidiary of the Company pursuant to generally accepted accounting principles.

(j) The Common Securities have been duly authorized by the Trust Agreement and, when issued and delivered by the Trust to the Company against payment therefor as described in the Registration Statement and Final Supplemented Prospectus, will be validly issued and (subject to the terms of the Trust Agreement) fully paid and non-assessable undivided beneficial interests in the Trust and will conform in all material respects to all statements relating thereto contained in the Final Supplemented Prospectus; the issuance of the Common Securities is not subject to preemptive or other similar rights; and, on the Closing Date (as defined herein), all of the issued and outstanding Common Securities of the Trust will be directly owned by the Company, free and clear of any security interest, mortgage, pledge, lien, encumbrance, claim or equitable right.

(k) This Agreement has been duly authorized, executed and delivered by each of the Offerors.

(l) The Trust Agreement has been duly authorized by the Company and, on the Closing Date, will have been duly executed and delivered by the Company and the Administrative Trustees, and assuming due authorization, execution and delivery of the Trust Agreement by the Delaware Trustee and the Property Trustee, the Trust Agreement will, on the Closing Date, be a valid and binding obligation of the Company and the Administrative Trustees, enforceable against the Company and the Administrative Trustees in accordance with its terms, except to the extent that enforcement thereof may be limited by (1) bankruptcy, insolvency, reorganization, receivership, liquidation, fraudulent conveyance, moratorium or other similar laws affecting creditors' rights generally or (2) general principles of equity (regardless of whether enforcement is considered in a proceeding at law or in equity) (the "Enforceability Exceptions") and will conform in all material respects to all statements relating thereto in the Final Supplemented Prospectus; and, on the Closing Date, the Trust Agreement will have been duly qualified under the 1939 Act.

(m) The Guarantee Agreement has been duly authorized by the Company and, on the Closing Date, will have been duly executed and delivered by the Company, and, assuming due authorization, execution and delivery of the Guarantee Agreement by the Guarantee Trustee, the Guarantee Agreement will, on the Closing Date, constitute a valid and binding obligation of the Company, enforceable against the Company in accordance with its terms except to the extent that enforcement thereof may be limited by the Enforceability Exceptions, and each of the Guarantee and the Guarantee Agreement will conform in all material respects to all statements relating thereto contained in the Final Supplemented Prospectus; and, on the Closing Date, the Guarantee Agreement will have been duly qualified under the 1939 Act.

(n) The Preferred Securities have been duly authorized by the Trust Agreement and, when issued and delivered by the Trust pursuant to this Agreement against payment of the consideration set forth herein, will be validly issued and (subject to the terms of the Trust Agreement) fully paid and non-assessable undivided beneficial interests in the Trust, will be entitled to the benefits of the Trust Agreement and will conform in all material respects to all statements relating thereto contained in the Final Supplemented

Prospectus; the issuance of the Preferred Securities is not subject to preemptive or other similar rights; (subject to the terms of the Trust Agreement) holders of Preferred Securities will be entitled to the same limitation of personal liability under Delaware law as extended to stockholders of private corporations for profit.

(o) The Indenture has been duly authorized by the Company and, on the Closing Date, will have been duly executed and delivered by the Company, and, assuming due authorization, execution and delivery of the Indenture by the Debt Trustee, the Indenture will, on the Closing Date, constitute a valid and binding obligation of the Company, enforceable against the Company in accordance with its terms except to the extent that enforcement thereof may be limited by the Enforceability Exceptions; the Indenture will conform in all material respects to all statements relating thereto contained in the Final Supplemented Prospectus; and, on the Closing Date, the Indenture will have been duly qualified under the 1939 Act.

(p) The issuance and delivery of the Junior Subordinated Notes have been duly authorized by the Company and, on the Closing Date, the Junior Subordinated Notes will have been duly executed by the Company and, when authenticated in the manner provided for in the Indenture and delivered against payment therefor as described in the Prospectus, will constitute valid and legally binding obligations of the Company, enforceable against the Company in accordance with their terms, except to the extent that enforcement thereof may be limited by the Enforceability Exceptions, will be in the form contemplated by, and entitled to the benefits of, the Indenture and will conform in all material respects to all statements relating thereto in the Final Supplemented Prospectus.

(q) The Company's obligations under the Guarantee (i) are subordinate and junior in right of payment to all liabilities of the Company, except those obligations or liabilities made pari passu or subordinate by their terms, (ii) are pari passu with the preferred stock issued by the Company and (iii) are senior to all common stock of the Company.

(r) The Junior Subordinated Notes are subordinated and junior in right of payment to all "Senior Indebtedness" (as defined in the Indenture) of the Company.

(s) Each of the Administrative Trustees of the Trust is an employee of the Company and has been duly authorized by the Company to execute and deliver the Trust Agreement.

(t) Neither the Trust nor the Company nor any of the Company's other subsidiaries is and, after giving effect to the offering and sale of the Preferred Securities, will be an "investment company" or an entity "controlled" by an "investment company" within the meaning of the Investment Company Act of 1940, as amended (the "1940 Act").

(u) The execution, delivery and performance by the Offerors of this Agreement, the Trust Agreement, the Preferred Securities, the Common Securities, the Indenture, the Junior Subordinated Notes, the Guarantee Agreement and the Guarantee and the consummation by the Offerors of the transactions contemplated herein and therein and compliance by the Offerors with their respective obligations hereunder and thereunder shall have been duly authorized by all necessary action (corporate or otherwise) on the part of the Offerors and do not and will not result in any violation of the charter or bylaws of the Company, or the Trust Agreement or related Certificate of Trust and d not and will not conflict with, or result in a breach of any of the terms or provisions of, or constitute a default under, or result in the creation or imposition of any lien, charge or encumbrance upon any property or assets of the Trust or the Company under (A) any contract, indenture, mortgage, loan agreement, note, lease or other agreement or instrument to which the Trust or the Company is a party or by which either of them may be bound or to which any of their properties may be subject (except for conflicts, breaches or defaults which would not, individually or in the aggregate, be materially adverse to the Trust or the Company or materially adverse to the transactions contemplated by this Agreement), or (B) any existing applicable law, rule, regulation, judgment, order or decree of any government, governmental instrumentality or court, domestic or foreign, or any regulatory body or administrative agency or other governmental body having jurisdiction over the Trust or the Company, or any of their respective properties.

(v) No authorization, approval, consent or order of any court or governmental authority or agency is necessary in connection with the issuance and sale of the Common Securities or the offering of the Preferred Securities, the Junior Subordinated Notes or the Guarantee or the transactions contemplated in this

Agreement, except (A) such as may be required under the 1933 Act or the rules and regulations thereunder; (B) such as may be required under the Public Utility Holding Company Act of 1935, as amended (the "1935 Act"); (C) the qualification of the Trust Agreement, the Guarantee Agreement and the Indenture under the 1939 Act; (D) the approval of the Florida Public Service Commission (the "Florida Commission"); and (E) such consents, approvals, authorizations, registrations or qualifications as may be required under state securities or Blue Sky laws.

SECTION 2. SALE AND DELIVERY TO UNDERWRITERS; CLOSING.

(a) On the basis of the representations and warranties herein contained and subject to the terms and conditions herein set forth, the Trust agrees to sell to each Underwriter, severally and not jointly, and each Underwriter, severally and not jointly, agrees to purchase from the Trust, at the price per security set forth in Schedule II hereto, the number of Preferred Securities set forth in Schedule I opposite the name of such Underwriter, plus any additional number of Preferred Securities that such Underwriter may become obligated to purchase pursuant to the provisions of Section 10 hereof.

The purchase price per security to be paid by the several Underwriters for the Preferred Securities shall be an amount equal to the initial public offering price set forth on Schedule II, which is a fixed price determined by agreement between the Representative and the Offerors. As compensation to the Underwriters for their commitments hereunder and in view of the fact that the proceeds of the sale of the Preferred Securities will be used to purchase the Junior Subordinated Notes of the Company, the Company hereby agrees to pay on the Closing Date (as defined below) to the Representative, for the accounts of the several Underwriters, a commission per Preferred Security as set forth on Schedule II for the Preferred Securities to be delivered by the Trust hereunder on the Closing Date.

(b) Payment of the purchase price for, and delivery of certificates for, the Preferred Securities shall be made at the offices of Troutman Sanders LLP, NationsBank Plaza, 600 Peachtree Street, N.E., Atlanta, Georgia at 10:00 A.M., New York time, on January 31, 1997 (unless postponed in accordance with the provisions of Section 10) or such other time, place or date as shall be agreed upon by the Representative, the Trust and the Company (such time and date of payment and delivery being herein called the "Closing Date"). Payment shall be made to the Trust by wire transfer in federal funds at the Closing Date, against

delivery to the Representative for the respective accounts of the Underwriters of certificates for the Preferred Securities to be purchased by them. Certificates for the Preferred Securities shall be in such denominations and registered in such names as the Representative may request in writing at least two business days before the Closing Date. It is understood that each Underwriter has authorized the Representative, for its account, to accept delivery of, receipt for, and make payment of the purchase price for, the Preferred Securities which it has agreed to purchase. The Representative, individually and not as Representative of the Underwriters, may (but shall not be obligated to) make payment of the purchase price for the Preferred Securities to be purchased by any Underwriter whose check has not been received by the Closing Date, but such payment shall not relieve such Underwriter from its obligations hereunder.

The certificate(s) for the Preferred Securities will be made available for examination and packaging by the Representative not later than 12:00 Noon, New York time, on the last business day prior to the Closing Date.

On the Closing Date, the Company will pay, or cause to be paid, the commission payable at such time to the Underwriters under Section 2(a) hereof by wire transfer payable to the Representative in federal funds.

SECTION 3. COVENANTS OF THE OFFERORS. Each of the Offerors jointly and severally covenants with each Underwriter as follows:

(a) The Offerors, on or prior to the Closing Date, will deliver to the Underwriters conformed copies of the Registration Statement as originally filed and of all amendments thereto, heretofore or hereafter made, including any post-effective amendment (in each case including all exhibits filed therewith, and including unsigned copies of each consent and certificate included therein or filed as an exhibit thereto, except exhibits incorporated by reference, unless specifically requested). As soon as the Company is advised thereof, it will advise the Representative orally of the issuance of any stop order under the 1933 Act with respect to the Registration Statement, or the institution of any proceedings therefor, of which the Company shall have received notice, and will use its best efforts to prevent the issuance of any such stop order and to secure the prompt removal thereof, if issued. The Offerors will deliver to the Underwriters sufficient conformed copies of the Registration Statement, the Prospectus, the Preliminary Supplemented Prospectus and the Final Supplemented Prospectus and of all supplements and amendments thereto (in each case

without exhibits) for distribution to each Underwriter and, from time to time, as many copies of the Prospectus, the Preliminary Supplemented Prospectus and the Final Supplemented Prospectus as the Underwriters may reasonably request for the purposes contemplated by the 1933 Act or the 1934 Act.

(b) The Offerors will furnish the Underwriters with copies of each amendment and supplement to the Preliminary Supplemented Prospectus and Final Supplemented Prospectus relating to the offering of the Preferred Securities in such quantities as the Underwriters may from time to time reasonably request. If, during the period (not exceeding nine months) when the delivery of a prospectus shall be required by law in connection with the sale of any Preferred Securities by an Underwriter or dealer, any event relating to or affecting the Company, or of which the Company shall be advised in writing by the Underwriters, shall occur, which in the opinion of the Company or of Underwriters' counsel should be set forth in a supplement to or an amendment of the Preliminary Supplemented Prospectus or Final Supplemented Prospectus, as the case may be, in order to make the Preliminary Supplemented Prospectus or Final Supplemented Prospectus not misleading in the light of the circumstances when it is delivered, or if for any other reason it shall be necessary during such period to amend or supplement the Preliminary Supplemented Prospectus or Final Supplemented Prospectus or to file under the 1934 Act any document incorporated by reference in the Preliminary Prospectus or Prospectus in order to comply with the 1933 Act or the 1934 Act, the Company forthwith will (i) notify the Underwriters to suspend solicitation of purchases of the Preferred Securities and (ii) at its expense, make any such filing or prepare and furnish to the Underwriters a reasonable number of copies of a supplement or supplements or an amendment or amendments to the Preliminary Supplemented Prospectus or Final Supplemented Prospectus which will supplement or amend the Preliminary Supplemented Prospectus or Final Supplemented Prospectus so that, as supplemented or amended, it will not contain any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements therein, in the light of the circumstances when the Preliminary Supplemented Prospectus or Final Supplemented Prospectus is delivered, not misleading or which will effect any other necessary compliance. In case any Underwriter is required to deliver a prospectus in connection with the sale of any Preferred Securities after the expiration of the period specified in the preceding sentence, the Company, upon the request of

such Underwriter, will furnish to such Underwriter, at the expense of such Underwriter, a reasonable quantity of a supplemented or amended prospectus, or supplements or amendments to the Final Supplemented Prospectus, complying with Section 10(a) of the 1933 Act. During the period specified in the second sentence of this subsection, the Company will continue to prepare and file with the Commission on a timely basis all documents or amendments required under the 1934 Act and the rules and regulations thereunder; provided, that the Company shall not file such documents or amendments without also furnishing copies thereof prior to such filing to the Representative and Dewey Ballantine.

(c) The Offerors will endeavor, in cooperation with the Underwriters, to qualify the Preferred Securities and, to the extent required or advisable, the Guarantee and the Junior Subordinated Notes, for offering and sale under the applicable securities laws of such states and the other jurisdictions of the United States as the Representative may designate; provided, however, that neither of the Offerors shall be obligated to qualify as a foreign corporation in any jurisdiction in which it is not so qualified or to file a consent to service of process or to file annual reports or to comply with any other requirements in connection with such qualification deemed by the Company to be unduly burdensome.

(d) The Company will make generally available to its security holders as soon as practicable but not later than 45 days after the close of the period covered thereby, an earnings statement of the Company (in form complying with the provisions of Rule 158 of the rules and regulations under the 1933 Act) covering a twelve-month period beginning not later than the first day of the Company's fiscal quarter next following the "effective date" (as defined in Rule 158) of the Registration Statement.

(e) The Offerors will use best efforts to effect the listing of the Preferred Securities on the New York Stock Exchange; if the Preferred Securities are exchanged for Junior Subordinated Notes, the Company will use its best efforts to effect the listing of the Junior Subordinated Notes on any exchange on which the Preferred Securities are then listed.

(f) During a period of 15 days from the date of this Agreement, neither the Trust nor the Company will, without the Representative's prior written consent, directly or indirectly, sell, offer to sell, grant any option for the sale of, or otherwise dispose of, any

Preferred Securities, any security convertible into or exchangeable into or exercisable for Preferred Securities or the Junior Subordinated Notes or any debt securities substantially similar to the Junior Subordinated Notes or equity securities substantially similar to the Preferred Securities (except for the Junior Subordinated Notes and the Preferred Securities issued pursuant to this Agreement).

(g) As soon as practicable after the date of this Agreement, and in any event within the time prescribed by Rule 424 under the 1933 Act, to file the Final Supplemented Prospectus with the Commission and to advise the Representative of such filing and to confirm such advice in writing.

SECTION 4. PAYMENT OF EXPENSES. The Company will pay all expenses incident to the performance of each Offeror's obligations under this Agreement, including but not limited to, the expenses of (i) the printing and filing of the Registration Statement as originally filed and of each amendment thereto, (ii) the preparation, issuance and delivery of the certificate(s) for the Preferred Securities to the Underwriters, (iii) the fees and disbursements of the Company's and the Trust's counsel and accountants, (iv) the qualification of the Preferred Securities and, to the extent required or advisable, the Guarantee and the Junior Subordinated Notes, under securities laws in accordance with the provisions of Section 3(c) hereof, including filing fees and the reasonable fees and disbursements of counsel for the Underwriters in connection therewith and in connection with the preparation of any blue sky survey (such fees and disbursements of counsel shall not exceed $3,500), (v) the printing and delivery to the Underwriters of copies of the Registration Statement as originally filed and of each amendment thereto and of the Prospectus, the Preliminary Supplemented Prospectus, the Final Supplemented Prospectus, and any amendments or supplements thereto, (vi) the printing and delivery to the Underwriters of copies of any blue sky survey, (vii) the fee of the National Association of Securities Dealers, Inc. in connection with its review of the offering contemplated by this Agreement, if applicable, (viii) the fees and expenses of the Debt Trustee, including the fees and disbursements of counsel for the Debt Trustee in connection with the Indenture and the Junior Subordinated Notes, (ix) the fees and expenses of the Delaware Trustee, the Property Trustee and the Guarantee Trustee, including the fees and disbursements of counsel for the Delaware Trustee in connection with the Trust Agreement and the related Certificate of Trust, (x) the fees and disbursements of Delaware counsel to the Trust, (xi) any fees payable in connection with the rating of the Preferred Securities and Junior Subordinated Notes, (xii) the fees and expenses

incurred in connection with the listing of the Preferred Securities and, if applicable, the Junior Subordinated Notes on the New York Stock Exchange, (xiii) the cost and charges of any transfer agent or registrar and (xiv) the cost of qualifying the Preferred Securities with The Depository Trust Company.

Except as otherwise provided in Section 9 hereof, the Underwriters shall pay all other expenses incurred by them in connection with their offering of the Preferred Securities, including fees and disbursements of their counsel, Dewey Ballantine.

SECTION 5. CONDITIONS OF UNDERWRITERS' OBLIGATIONS. The obligations of the Underwriters to purchase and pay for the Preferred Securities are subject to the following conditions:

(a) No stop order suspending the effectiveness of the Registration Statement shall be in effect on the Closing Date and no proceedings for that purpose shall be pending before, or to the knowledge of the Company threatened by, the Commission on such date. If filing of the Preliminary Supplemented Prospectus or Final Supplemented Prospectus, or any supplement thereto, is required pursuant to Rule 424, the Preliminary Supplemented Prospectus or Final Supplemented Prospectus, and any such supplement, shall have been filed in the manner and within the time period required by Rule 424.

(b) Orders of the Florida Commission and the Commission permitting the transactions contemplated hereby substantially in accordance with the terms and conditions hereof shall be in full force and effect and shall contain no provision unacceptable to the Underwriters or the Company (but all provisions of such order or orders heretofore entered, copies of which have heretofore been delivered to the Representative, are deemed acceptable to the Underwriters and the Company and all provisions of such order or orders hereafter entered shall be deemed acceptable to the Underwriters and the Company unless within 24 hours after receiving a copy of any such order any party to this Agreement shall give notice to the other parties to the effect that such order contains an unacceptable provision).

(c) On the Closing Date the Representative shall have received:

(1) The opinion, dated the Closing Date, of Beggs & Lane, counsel for the Company, substantially in the form attached hereto as Schedule III-A.

(2) The opinion, dated the Closing Date, of Troutman Sanders LLP, counsel for the Company, substantially in the form attached hereto as Schedule III-B.

(3) The opinion, dated the Closing Date, of Richards, Layton & Finger, Delaware counsel to the Trust, substantially in the form attached hereto as Schedule IV.

(4) The opinion, dated the Closing Date, of Richards, Layton & Finger, Delaware counsel to Chase Manhattan Bank Delaware, as Delaware Trustee under the Trust Agreement, substantially in the form attached hereto as Schedule V.

(5) The opinion, dated the Closing Date, of Cravath, Swaine & Moore, counsel to the Property Trustee, the Guarantee Trustee and the Debt Trustee, substantially in the form attached hereto as Schedule VI.

(6) The favorable opinion, dated as of the Closing Date, of Dewey Ballantine, counsel for the Underwriters, substantially in the form attached hereto as Schedule VII.

(7) At the Closing Date, there shall not have been, since the date hereof or since the respective dates as of which information is given in the Registration Statement and the Final Supplemented Prospectus, any material adverse change in the business, properties or financial condition of the Trust or the Company, whether or not arising in the ordinary course of business, and the Representative shall have received a certificate of the President or any Vice President of the Company and a certificate of the Administrative Trustees of the Trust, and dated as of the Closing Date, to the effect that (i) there has been no such material adverse change, (ii) the representations and warranties in Section 1 hereof are true and correct with the same force and effect as though expressly made at and as of the Closing Date, (iii) the Trust and the Company have complied with all agreements and satisfied all conditions on their respective parts to be performed or satisfied on or prior to the Closing Date, and (iv) no stop order suspending the effectiveness of the Registration Statement has been issued and no proceedings for that

purpose have been initiated or, to the knowledge of the Company, threatened by the Commission.

(8) On this Closing Date, the Representative shall have received from Arthur Andersen LLP a letter dated the Closing Date to the effect that: (A) they are independent public accountants with respect to the Company within the meaning of the 1933 Act and the rules and regulations under the 1933 Act; (B) in their opinion, the financial statements and schedules audited by them and incorporated by reference in the Prospectus comply as to form in all material respects with the applicable accounting requirements of the 1933 Act and the 1934 Act and the rules and regulations under the 1933 Act and the 1934 Act; (C) they have performed certain limited procedures through a specified date not more than five business days prior to the date of such letter, namely (i) reading the minute books of the Company; (ii) reading the unaudited financial statements, if any, of the Company incorporated in the Prospectus and agreeing the amounts therein with the Company's accounting records; (iii) making inquiries of certain officials of the Company who have responsibility for financial and accounting matters regarding whether the unaudited financial statements, if any, incorporated in the Prospectus (a) are in conformity with generally accepted accounting principles applied on a basis substantially consistent with that of the audited financial statements incorporated in the Prospectus and (b) comply as to form in all material respects with the applicable accounting requirements of the 1934 Act and the rules and regulations under the 1934 Act; (iv) reading the unaudited amounts for Operating Revenues, Income Before Interest Charges and Net Income After Dividends on Preferred Stock and the unaudited Ratios of Earnings to Fixed Charges and Earnings to Fixed Charges Plus Preferred Dividend Requirements (Pre-Income Tax Basis), which amounts shall include such amounts for the latest period subsequent to that covered by the financial statements incorporated by reference in the Prospectus for which such amounts are available at the time this agreement becomes effective; (v) reading the unaudited financial statements from which the amounts and ratios described in (iv) were derived and agreeing the amounts therein to the Company's accounting records; (vi) making inquiries of certain officials of the Company who have responsibility for financial and accounting matters regarding whether (a) the unaudited amounts and ratios referred to in (iv) above and the unaudited and the unaudited financial statements referred to in (v) above are stated on a basis substantially consistent with that of the corresponding audited amounts or

ratios included or incorporated by reference in the Prospectus and (b) as of a specified date not more than five business days prior to the date of delivery of such letter, there has been any change in the capital stock or long-term debt of the Company or any decrease in net assets as compared with amounts shown in the latest audited balance sheet incorporated in the Prospectus, except in each case for changes or decreases which (I) the Prospectus discloses have occurred or may occur, (II) are occasioned by the declaration of dividends, (III) are occasioned by draw-downs under existing pollution control financing arrangements, (IV) are occasioned by draw-downs and regularly scheduled payments of capitalized lease obligations, (V) are occasioned by the purchase or redemption of bonds or stock to satisfy mandatory or optional redemption provisions relating thereto, or (VI) are disclosed in such letter; (vii) reading the unaudited amounts for Operating Revenues, Income Before Interest Charges and Net Income After Dividends on Preferred Stock and the unaudited Ratios of Earnings to Fixed Charges and Earnings to Fixed Charges Plus Preferred Dividend Requirements (Pre-Income Tax Basis) for any period subsequent to those set forth in (iv) above, which if available shall be set forth in such letter; (viii) reading the unaudited financial statements from which the amounts and ratios described in (vii) above were derived and which will be attached to such letter and agreeing the amounts therein to the Company's accounting records; and (ix) making inquiries of certain officials of the Company who have responsibility for financial and accounting matters regarding whether the unaudited amounts and ratios referred to in (vii) above and the unaudited financial statements referred to in (viii) above are stated on a basis substantially consistent with that of the corresponding audited amounts or ratios included or incorporated by reference in the Prospectus; and (D) reporting their findings as a result of performing the limited procedures set forth in (C) above. It is understood that the foregoing procedures do not constitute an audit performed in accordance with generally accepted auditing standards and they would not necessarily reveal matters of significance with respect to the comments made in such letter, and accordingly that Arthur Andersen LLP make no representations as to the sufficiency of such procedures for the several Underwriter's purposes.

(9) On the Closing Date, counsel for the Underwriters shall have been furnished with such documents and opinions as they may reasonably require for the purpose of enabling them to pass upon the

issuance and sale of the Preferred Securities as herein contemplated and related proceedings, or in order to evidence the accuracy of any of the representations or warranties, or the fulfillment of any of the conditions, herein contained; and all proceedings taken by the Offerors, in connection with the issuance and sale of the Preferred Securities as herein contemplated shall be satisfactory in form and substance to the Representative and Dewey Ballantine, counsel for the Underwriters.

(10) On the Closing Date, the Preferred Securities shall have been approved for listing on the New York Stock Exchange upon notice of issuance.

(11) On the Closing Date, the Representative shall have received a certificate of a Vice President of the Company certifying that a Special Event (as defined in the Final Supplemented Prospectus) shall not have occurred and be continuing.

(12) That no amendment or supplement to the Registration Statement, the Preliminary Supplemented Prospectus or the Final Supplemented Prospectus filed subsequent to the date of this Agreement (including any filing made by the Company pursuant to Section 13 or 14 of the Exchange Act) shall be unsatisfactory in form to Dewey Ballantine or shall contain information (other than with respect to an amendment or supplement relating solely to the activity of any Underwriter or Underwriters) which, in the reasonable judgment of the Representative, shall materially impair the marketability of the Preferred Securities.

(13) The Company and the Trust shall have performed their respective obligations when and as provided under this Agreement.

If any condition specified in this Section shall not have been fulfilled when and as required to be fulfilled, this Agreement may be terminated by the Representative by notice to the Offerors at any time prior to the Closing Date, and such termination shall be without liability of any party to any other party except as provided in Sections 4, 7 and 9(b) hereof.

SECTION 6. CONDITIONS OF THE OBLIGATIONS OF THE OFFERORS.

The obligations of the Offerors shall be subject to the conditions set forth in the first sentence of Section 5(a) and in Section 5(b). In case such conditions shall not have been fulfilled, this Agreement may be terminated by the

Company by mailing or delivering written notice thereof to the Underwriters. Any such termination shall be without liability of any party to any other party except as otherwise provided in Sections 4, 7 and 9(b) hereof.

SECTION 7. INDEMNIFICATION.

(a) The Offerors jointly and severally agree to indemnify and hold harmless each of the Underwriters and each person, if any, who controls any such Underwriter within the meaning of Section 15 of the 1933 Act or Section 20(a) of the 1934 Act, against any and all losses, claims, damages or liabilities, joint or several, to which they or any of them may become subject under the 1933 Act, 1934 Act or otherwise, and to reimburse the Underwriters and such controlling person or persons, if any, for any legal or other expenses incurred by them in connection with defending any actions, insofar as such losses, claims, damages, liabilities or actions arise out of or are based upon any untrue statement or alleged untrue statement of a material fact contained in any Preliminary Prospectus, the Registration Statement, the Prospectus, the Preliminary Supplemented Prospectus, or the Final Supplemented Prospectus or, if the Offerors shall furnish to the Underwriters any amendments or any supplements thereto, or shall make any filings pursuant to Section 13 or 14 of the 1934 Act which are incorporated therein by reference, in any Preliminary Prospectus, the Registration Statement, the Prospectus, the Preliminary Supplemented Prospectus, or the Final Supplemented Prospectus as so amended or supplemented, or arise out of or are based upon any omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, except insofar as such losses, claims, damages, liabilities or actions arise out of or are based upon any such untrue statement or alleged untrue statement or omission or alleged omission which was made in such Registration Statement, Preliminary Prospectus, Prospectus, the Preliminary Supplemented Prospectus, or the Final Supplemented Prospectus in reliance upon and in conformity with information furnished in writing to the Company by, or through the Representative on behalf of, any Underwriter for use therein and except that this indemnity with respect to the Preliminary Prospectus, the Prospectus, the Preliminary Supplemented Prospectus, or the Final Supplemented Prospectus, if the Offerors shall have furnished any amendment or supplement thereto, shall not inure to the benefit of any Underwriter (or of any person controlling such Underwriter) on account of any losses, claims, damages, liabilities or actions arising from the sale of the Preferred Securities to any person if a copy of the Preliminary Prospectus, the Prospectus, the Preliminary Supplemented Prospectus, or the Final Supplemented

Prospectus (exclusive of documents incorporated therein by reference pursuant to Item 12 of Form S-3), as the same may then be amended or supplemented, shall not have been sent or given by or on behalf of such Underwriter to such person with or prior to the written confirmation of the sale involved and the untrue statement or alleged untrue statement or omission or alleged omission was corrected in the Preliminary Prospectus, the Prospectus, the Preliminary Supplemented Prospectus or the Final Supplemented Prospectus as supplemented or amended at the time of such confirmation. Each Underwriter agrees, within ten days after the receipt by it of notice of the commencement of any action in respect of which indemnity may be sought by it, or by any person controlling it, from the Offerers on account of its agreement contained in this Section 7, to notify the Offerors in writing of the commencement thereof but the omission of such Underwriter so to notify the Offerors of any such action shall not release the Offerors from any liability which it may have to such Underwriter or to such controlling person otherwise than on account of the indemnity agreement contained in this Section 7. In case any such action shall be brought against the Underwriters or any such person controlling such Underwriters and such Underwriter shall notify the Offerors of the commencement thereof as above provided, the Offerors shall be entitled to participate in (and, to the extent that they shall wish, including the selection of counsel, to direct) the defense thereof, at their own expense. In case the Offerors elect to direct such defense and select such counsel, any Underwriter or controlling person shall have the right to employ its own counsel, but, in any such case, the fees and expenses of such counsel shall be at the expense of such Underwriter or controlling person unless the employment of such counsel has been authorized in writing by the Offerors in connection with defending such action. No indemnifying party shall, without the written consent of the indemnified party, effect the settlement or compromise of, or consent to the entry of any judgment with respect to, any pending or threatened action or claim in respect of which indemnification may be sought hereunder (whether or not the indemnified party is an actual or potential party to such action or claim) unless such settlement, compromise or judgment (i) includes an unconditional release of the indemnified party from all liability arising out of such action or claim and (ii) does not include any statement as to, or an admission of, fault, culpability or a failure to act, by or on behalf of any indemnified party. In no event shall any indemnifying party have any liability or responsibility in respect of the settlement or compromise of, or consent to the entry of any judgment with respect to, any pending or threatened action or claim effected without its prior written consent.

(b) The Company agrees to indemnify the Trust against all loss, liability, claim, damage and expense whatsoever, as due from the Trust under Section 7(a) hereunder.

(c) Each Underwriter agrees, severally and not jointly, to indemnify and hold harmless the Company, its directors and such of its officers who have signed the Registration Statement, the Trust and each other Underwriter and each person, if any, who controls the Offerors or any such other Underwriter within the meaning of Section 15 of the 1933 Act or Section 20(a) of the 1934 Act to the same extent and upon the same terms as the indemnity agreement of the Offerors set forth in Section 7(a) hereof, but only with respect to alleged untrue statements or omissions made in the Registration Statement, the Preliminary Prospectus, the Prospectus, the Preliminary Supplemented Prospectus or the Final Supplemented Prospectus, or such documents as amended or supplemented, in reliance upon and in conformity with information furnished in writing to the Offerors by, or through the Representative on behalf of, such Underwriter for use therein.

SECTION 8. REPRESENTATIONS, WARRANTIES AND AGREEMENTS TO SURVIVE DELIVERY.

All representations, warranties and agreements contained in this Agreement, or contained in certificates of officers or Trustees of the Offerors submitted pursuant hereto, shall remain operative and in full force and effect, regardless of any investigation made by or on behalf of any Underwriter or controlling person, or by, or on behalf of the Offerors and shall survive delivery of the Preferred Securities to the Underwriters.

SECTION 9. TERMINATION OF AGREEMENT.

(a) The Representative may terminate this Agreement, by notice to the Offerors, at any time at or prior to the Closing Date if (i) trading in securities on the New York Stock Exchange shall have been generally suspended, (ii) minimum or maximum ranges for prices shall have been generally established on the New York Stock Exchange by the Commission or by tc New York Stock Exchange, (iii) a general banking moratorium shall have been declared by federal or New York State authorities, (iv) there shall have occurred any outbreak or escalation of major hostilities in which the United States is involved, any declaration of war by the United States Congress or any other substantial national or international calamity or emergency affecting the United States, in any such case provided for in clauses (i) through (iv) with the result

that, in the reasonable judgement of the Representative, the marketability of the Preferred Securities shall have been materially impaired.

(b) If this Agreement shall be terminated by the Underwriters pursuant to subsection (a) above or because of any failure or refusal on the part of the Offerors to comply with the terms or to fulfill any of the conditions of this Agreement, or if for any reason the Offerors shall be unable to perform their obligations under this Agreement, then in any such case, the Company will reimburse the Underwriters, severally, for the reasonable fees and disbursements of Dewey Ballantine and for the out of pocket expenses (in an amount not exceeding $10,000) reasonably incurred by the Underwriters in making preparations for the purchase, sale and delivery of the Preferred Securities and, upon such reimbursement, the Offerors shall be absolved from any further liability hereunder, except as provided in Sections 4 and 7.

SECTION 10. DEFAULT BY ONE OR MORE OF THE UNDERWRITERS. If one or more of the Underwriters shall fail on the Closing Date to purchase the Preferred Securities that it or they are obligated to purchase under this Agreement (the "Defaulted Securities"), the Representative shall have the right, within 24 hours thereafter, to make arrangements for one or more of the non-defaulting Underwriters, or any other underwriters, to purchase all, but not less than all, of the Defaulted Securities in such amounts as may be agreed upon and upon the terms herein set forth; if, however, the Representative shall not have completed such arrangements within such 24-hour period, then:

(a) if the number of Defaulted Securities does not exceed 10% of the Preferred Securities, each of the non-defaulting Underwriters shall be obligated, severally and not jointly, to purchase the full amount thereof in the proportions that their respective underwriting obligations hereunder bear to the underwriting obligations of all non-defaulting Underwriters, or

(b) if the number of Defaulted Securities exceeds 10% of the Preferred Securities, this Agreement shall terminate without liability on the part of any non-defaulting Underwriter.

No action taken pursuant to this Section shall relieve any defaulting Underwriter from liability in respect of its default.

In the event of any such default which does not result in a termination of this Agreement, either the Representative or the Offerors shall have the right to postpone the Closing Date for a period not exceeding seven days in order to effect any required changes in the Registration Statement or Final Supplemented Prospectus or in any other documents or arrangements.

SECTION 11. NOTICES. All notices and other communications hereunder shall be in writing and shall be deemed to have been duly given if mailed or transmitted by any standard form of telecommunication. Notices to the Underwriters shall be directed to the Representative at 85 Broad Street, New York, New York 10004, Attention: Don Hansen, Registration; notices to the Offerors shall be directed to the Company at 500 Bayfront Parkway, Pensacola, Florida 32501, Attention: Corporate Secretary, with a copy to Southern Company Services, Inc., 270 Peachtree Street, N.W., Atlanta, Georgia 30303, Attention: Charles N. Eldred.

SECTION 12. PARTIES. This Agreement shall inure to the benefit of and be binding upon the Underwriters, the Trust, the Company and their respective successors. Nothing expressed or mentioned in this Agreement is intended or shall be construed to give any person, firm or corporation, other than the Underwriters and the Trust and the Company and their respective successors and the controlling persons and officers, directors and trustees referred to in Section 7 and their heirs and legal representatives, any legal or equitable right, remedy or claim under or in respect of this Agreement or any provision herein contained. This Agreement and all conditions and provisions hereof are intended to be for the sole and exclusive benefit of the Underwriters and the Trust and the Company and their respective successors and said controlling persons and officers, directors and trustees and their heirs and legal representatives, and for the benefit of no other person, firm or corporation. No purchaser of Preferred Securities from any Underwriter shall be deemed to be a successor by reason merely of such purchase.

SECTION 13. GOVERNING LAW AND TIME. This Agreement shall be governed by and construed in accordance with the laws of the State of New York applicable to agreements made and to be performed in said State. Except as otherwise set forth herein, specified times of day refer to New York City time.

SECTION 14. COUNTERPARTS. This Agreement may be executed by any one or more of the parties hereto in any number of counterparts, each of which shall be deemed to be an original, but all such respective counterparts shall together constitute one and the same instrument.

If the foregoing is in accordance with your understanding of our agreement, please sign and return to the Trust and the Company a counterpart hereof, whereupon this instrument, along with all counterparts, will become a binding agreement between the Underwriters and the Trust and the Company in accordance with its terms.

Very truly yours,

GULF POWER COMPANY

By: _____
Title: Asst Sec

GULF POWER CAPITAL TRUST I

By: Gulf Power Company, as
Depositor

_____
Name: Wayne Boston
Title: Administrative Trustee

CONFIRMED AND ACCEPTED,
as of the date first above written

GOLDMAN, SACHS & CO.

By: Goldman Sachs & Co.
(Goldman, Sachs & Co.)

For itself and as Representative of the other Underwriters named in Schedule I hereto.

SCHEDULE I

NAME OF UNDERWRITER	NUMBER OF SECURITIES
Goldman, Sachs & Co.	234,000
Dean Witter Reynolds Inc.	234,000
A.G. Edwards & Sons, Inc.	234,000
The Robinson-Humphrey Company, Inc.	234,000
Smith Barney Inc.	234,000
Bear, Stearns & Co. Inc.	20,000
J.C. Bradford & Co.	20,000
Alex. Brown & Sons Incorporated	20,000
Donaldson, Lufkin & Jenrette Securities Corporation	20,000
EVEREN Securities, Inc.	20,000
Interstate/Johnson Lane Corporation	20,000
Legg Mason Wood Walker, Incorporated	20,000
Morgan Keegan & Company, Inc.	20,000
Oppenheimer & Co., Inc.	20,000
Prudential Securities Incorporated	20,000
Raymond James & Associates, Inc.	20,000
Wheat, First Securities, Inc.	20,000
Advest, Inc.	10,000
Blaylock & Partners, L.P.	10,000
Cowen & Company	10,000
Dain Bosworth Incorporated	10,000
Fahnestock & Co. Inc.	10,000
McDonald & Company Securities, Inc.	10,000
McGinn, Smith & Co., Inc.	10,000
The Ohio Company	10,000
Olde Discount Corporation	10,000
Piper Jaffray Inc.	10,000
Principal Financial Securities, Inc.	10,000
Rauscher Pierce Refsnes, Inc.	10,000
Roney & Co., LLC	10,000
Muriel Siebert & Co., Inc.	10,000
Stephens Inc.	10,000
Sutro & Co. Incorporated	10,000
Trilon International Inc.	10,000
Tucker Anthony Incorporated	10,000
U.S. Clearing Corp.	10,000
TOTAL	1,600,000

SCHEDULE II

Initial public offering price per Preferred Security (and purchase price per security to be paid by the several Underwriters): $25

Compensation per Preferred Security to be paid by the Company to the several Underwriters in respect of their commitments: $.50 for Preferred Securities sold to certain institutions; $.7875 for Preferred Securities sold to other purchasers

Schedule III-A

[Letterhead of BEGGS & LANE]

_____ __ __, 199_

Goldman, Sachs & Co.
85 Broad Street
New York, New York 10004

GULF POWER CAPITAL TRUST I
_.__% TRUST CUMULATIVE QUARTERLY INCOME PREFERRED SECURITIES

Dear Sirs:

We have acted as general counsel to Gulf Power Company (the "Company") in connection with (i) its formation of Gulf Power Capital Trust I (the "Trust"), a Delaware statutory business trust, pursuant to the amended and restated trust agreement dated as of _____ __, 199_ among the Company and the trustees named therein (the "Trust Agreement"); (ii) the Trust's issuance and sale of Cumulative Quarterly Income Preferred Securities evidencing approximately a 97% undivided interest in the Trust (the "Preferred Securities"); (iii) the Trust's issuance and sale of Common Securities evidencing approximately a 3% undivided interest in the Trust; (iv) the Company's issuance and sale to the Trust of approximately $___,___,___ of its Series A _.__% Junior Subordinated Notes (the "Notes") pursuant to a Subordinated Note Indenture dated as of _____ __, 199_, by and between the Company and The Chase Manhattan Bank, as trustee, as supplemented by the First Supplemental Indenture dated as of _____ __, 199_ (collectively, the "Indenture"); and (v) its issuance of a guarantee (the "Guarantee") of the Preferred Securities pursuant to a Preferred Securities Guarantee Agreement dated as of _____ __, 199_ (the "Guarantee Agreement") between the Company and Chase Manhattan Bank Delaware, as trustee. The Preferred Securities are being sold to you today pursuant to the terms of an Underwriting Agreement dated January __, 1997, among the Company, the Trust and the underwriters named in Schedule I thereto (the "Underwriters") for whom you are acting as Representative (the "Underwriting Agreement"). This opinion is being delivered to you as Representative pursuant to Section 5(c)(1) thereof.

All capitalized terms not otherwise defined herein shall have the meanings set forth in the Underwriting Agreement.

In rendering the opinions expressed below, we have examined the registration statement on Form S-3 (Nos. 333-19271, 333-19271-01 and 333-19271-02) pertaining to the Preferred Securities (the "Registration Statement") filed under the Securities Act of 1933, as amended (the "Act"), and the prospectus dated _____ ___, 199_ as supplemented by a final prospectus supplement dated _____, 199_ (the "Final Supplemented Prospectus"), which pursuant to Form S-3 incorporates by reference the Annual Report on Form 10-K of the Company for the fiscal year ended December 31, 1995, the Quarterly Reports on Form 10-Q of the Company for the quarters ended _____ and the Current Reports on Form 8-K of the Company dated _____ (the "Exchange Act Documents"), each as filed under the Securities Exchange Act of 1934, as amended (the "Exchange Act").

In addition, we have examined, and have relied as to matters of fact upon, the documents delivered to you at the closing (except the certificates representing the Preferred Securities and the Notes, of which we have examined specimens), and we have made such other and further investigations as we deemed necessary to express the opinions hereinafter set forth.

The Trust Agreement, Indenture, Guarantee Agreement and the Underwriting Agreement are herein referred to as the "Agreements".

We are of the opinion, relying as to matters of New York law upon the opinion dated hereof rendered to you by Dewey Ballantine, as to matters of Delaware law upon the opinion dated hereof rendered to you by Richards, Layton & Finger, as to matters of Georgia law and with respect to the Act, the Exchange Act, the Trust Indenture Act (as hereinafter defined) and the Public Utility Holding Company Act of 1935, as amended, on the opinion dated the date hereof rendered to you by Troutman Sanders LLP, that:

1. The Company has been duly organized and is validly existing and in good standing as a corporation under the laws of the State of Maine, is duly qualified to carry on its business as a foreign corporation under the laws of the States of Florida, Georgia and Mississippi, and has due corporate authority to carry on the public utility business in which it is engaged and to own and operate the properties used by it in such business and to enter into and perform its obligations under the Agreements and the Notes.

2. The execution, delivery and performance by the Company of the Underwriting Agreement have been duly authorized by all necessary corporate action, and the Underwriting Agreement has been duly executed and delivered by the Company.

3. All orders, consents, or other authorizations or approvals of the Florida Public Service Commission and the Commission legally required for the issuance and delivery of the Notes and the Guarantee and the issuance and sale of the Preferred Securities have been obtained; such orders are sufficient for the issuance and the delivery of the Notes and the Guarantee and the issuance and sale of the Preferred Securities; the issuance and delivery of the Notes and the Guarantee and the issuance and sale of the Preferred Securities conform in all material respects with the terms of such orders; and no other order, consent or other authorization or approval of any Florida or United States governmental body (other than in connection or in compliance with the provisions of the securities or "blue sky" laws of any jurisdiction, as to which we express no opinion) is legally required for the issuance and delivery of the Notes and the Guarantee and the issuance and sale of the Preferred Securities in accordance with the terms of the Underwriting Agreement.

4. The Indenture has been duly authorized, executed and delivered by the Company and, assuming the due authorization, execution and delivery thereof by the Debt Trustee, constitutes a valid and legally binding instrument of the Company, enforceable against the Company in accordance with its terms, subject to the qualifications that the enforceability of the Company's obligations under the Indenture may be limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws relating to or affecting creditors' rights generally and by general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law); and the Indenture conforms as to legal matters in all material respects to the description thereof in the Final Supplemented Prospectus.

5. The Notes have been duly authorized and executed by the Company and, when authenticated by the Debt Trustee in the manner provided in the Indenture and delivered against payment therefor, will constitute valid and binding obligations of the Company, enforceable against the Company in accordance with their terms, subject to the qualifications that the enforceability of the Company's obligations under the Notes may be limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws relating to or affecting creditors' rights generally and by general principles of equity; and the Notes conform as to legal matters in all material respects to the description thereof in the Final Supplemented Prospectus.

6. The Guarantee has been duly authorized, executed and delivered by the Company and constitutes a valid and legally binding instrument of the Company, enforceable

against the Company in accordance with its terms, subject to the qualifications that the enforceability of the Company's obligations under the Guarantee may be limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws relating to or affecting creditors' rights generally and by general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law); and the Guarantee conforms as to legal matters in all material respects to the description thereof in the Final Supplemented Prospectus.

7. The Trust Agreement has been duly authorized, executed and delivered by the Company, and, assuming due authorization, execution and delivery by the Trustees, the Trust Agreement constitutes a valid and binding obligation of the Company, enforceable against the Company in accordance with its terms, subject to the qualifications that the enforceability of the Company's obligations under the Trust Agreement may be limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws relating to or affecting creditor's rights generally, and by general principles of equity.

8. Each of the Indenture, the Guarantee Agreement and the Trust Agreement has been duly qualified under the Trust Indenture Act of 1939, as amended (the "Trust Indenture Act").

9. Neither the Company nor the Trust is and, after giving effect to the offering and sale of the Preferred Securities, will be an "investment company" or a company "controlled" by an "investment company" within the meaning of the Investment Company Act of 1940, as amended.

10. To the best of our knowledge, all of the issued and outstanding Common Securities of the Trust are directly owned by the Company, free and clear of any security interest, mortgage, pledge, lien, encumbrance claim or equitable right.

11. The execution, delivery and performance by the Trust of the Underwriting Agreement and the Trust Agreement; the issuance by the Trust of the Preferred Securities and the Common Securities; the consummation by the Trust of the transactions contemplated thereby; and the compliance by the Trust with its obligations thereunder do not and will not result in any violation of the Trust Agreement or related Certificate of Trust, and do not and will not conflict with, or result in, a breach of any of the terms or provisions of, or constitute a default under, or result in the creation or imposition of any lien, charge or encumbrance upon any property or assets of the Trust under (A) any contract, indenture, mortgage, loan agreement, note, lease or any

other agreement or instrument known to us to which the Trust is a party or by which it may be bound or to which any of its properties may be subject (except for such conflicts, breaches or defaults or liens, charges or encumbrances that would not have a material adverse effect on the condition (financial or otherwise), of the Trust, (B) any existing applicable law, rule or regulation applicable to the Trust (other than the securities or blue sky laws of any jurisdiction, as to which we express no opinion) or (C) any judgment, order or decree known to us of any government, governmental instrumentality, or court, domestic or foreign, or any regulatory body or administrative agency or other governmental body having jurisdiction over the Trust or any of its properties; and the Trust is not a party to or otherwise bound by any agreement other than those which are exhibits (or included in exhibits) to the Registration Statement.

12. The Common Securities have been duly authorized by the Trust Agreement and (subject to the terms of the Trust Agreement), when issued and delivered by the Trust to the Company against payment therefor as described in the Final Supplemented Prospectus, will be validly issued and (subject to the terms of the Trust Agreement) fully paid and non-assessable beneficial interests in the assets of the Trust; and the issuance of the Common Securities is not subject to preemptive or other similar rights.

13. The Preferred Securities have been duly authorized by the Trust Agreement and (subject to the terms of the Trust Agreement), when delivered to and paid for by the Underwriters pursuant to the Underwriting Agreement, will be validly issued, fully paid and nonassessable beneficial interests in the assets of the Trust; the holders of the Preferred Securities will (subject to the terms of the Trust Agreement) be entitled to the same limitation of personal liability under Delaware law as is extended to stockholders of private corporations for profit organized under the general corporation law of the State of Delaware; the issuance of the Preferred Securities is not subject to preemptive or other similar rights; and the Preferred Securities conform as to legal matters in all material respects to the description thereof in the Final Supplemented Prospectus.

We have not independently verified the accuracy, completeness or fairness of the statements made or included in the Registration Statement, the Final Supplemented Prospectus or the Exchange Act Documents and take no responsibility therefor, except as and to the extent set forth in paragraphs 4, 5, 6, and 13 above and in the Final Supplemented Prospectus in the second and third paragraphs under the caption "Experts". In the course of the

preparation by the Company of the Registration Statement, the Final Supplemented Prospectus and the Exchange Act Documents, we participated in conferences with certain officers and employees of the Company, with other counsel for the Company and with representatives of Arthur Andersen LLP. Based upon our examination of the Registration Statement, the Final Supplemented Prospectus and the Exchange Act Documents, our investigations made in connection with the preparation of the Registration Statement, the Final Supplemented Prospectus and the Exchange Act Documents and our participation in the conferences referred to above, (i) we are of the opinion that the Registration Statement, as of its effective date, and the Final Supplemented Prospectus, as of _____, complied as to form in all material respects with the requirements of the Act and the applicable rules and regulations of the Commission thereunder and that the Exchange Act Documents, as of their respective dates of filing with the Commission, complied as to form in all material respects with the relevant requirements of the Exchange Act and the applicable rules and regulations of the Commission thereunder, except that in each case we express no opinion as to the financial statements or other financial or statistical data contained or incorporated by reference in the Registration Statement, the Final Supplemented Prospectus or the Exchange Act Documents, and (ii) nothing came to our attention which gives us reason to believe that the Registration Statement, as of its effective date (including the Exchange Act Documents on file with the Commission as of such date), contained any untrue statement of a material fact or omitted to state any material fact required to be stated therein or necessary in order to make the statements therein not misleading, or that the Final Supplemented Prospectus (including the Exchange Act Documents) contains any untrue statement therein of a material fact or omits to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading, except that in each case we express no opinion or belief with respect to the financial statements or other financial or statistical data contained or incorporated by reference in the Registration Statement, the Final Supplemented Prospectus or the Exchange Act Documents.

We are members of the State Bar of Florida and we do not express any opinion herein concerning any law other than the law of the States of Florida and Mississippi and the federal law of the United States and, to the extent set forth herein, the laws of the States of Delaware and New York.

This opinion is rendered to you in connection with the above-described transaction. This opinion may not be

relied upon by you for any other purpose, or relied upon by or furnished to any other person witnout our prior written consent, except that Troutman Sanders LLP and Dewey Ballantine may rely on this opinion in giving their opinions pursuant to Section 5(c) of the Underwriting Agreement insofar as such opinion relates to matters of Florida and Mississippi law.

Yours very truly,

BEGGS & LANE

Schedule III-B

[Letterhead of TROUTMAN SANDERS LLP]

_____ __, 199_

Goldman, Sachs & Co.
85 Broad Street
New York, New York 10004

GULF POWER CAPITAL TRUST I
_.__% TRUST CUMULATIVE QUARTERLY INCOME PREFERRED SECURITIES

Dear Sirs:

We have acted as counsel to Gulf Power Company (the "Company") in connection with (i) its formation of Gulf Power Capital Trust I, a Delaware statutory business trust (the "Trust"), pursuant to the amended and restated trust agreement dated _____, 199_ among the Company and the trustees named therein (the "Trust Agreement"); (ii) the Trust's issuance and sale of Cumulative Quarterly Income Preferred Securities evidencing approximately a 97% undivided interest in the Trust (the "Preferred Securities"); (iii) the Trust's issuance and sale of Common Securities evidencing approximately a 3% undivided interest in the Trust; (iv) the Company's issuance and sale to the Trust of $_____ of its Series A ___% Junior Subordinated Notes (the "Notes") pursuant to a Subordinated Note Indenture dated as of _____, 199_, by and between the Company and _____, as trustee, as supplemented by the First Supplemental Indenture dated as of _____ __, 199_ (collectively, the "Indenture"); and (v) its issuance of a guarantee (the "Guarantee") of the Preferred Securities pursuant to a Preferred Securities Guarantee Agreement dated as of _____, 199_ (the "Guarantee Agreement") between the Company and _____, as trustee. The Preferred Securities are being sold to you today pursuant to the terms of an Underwriting Agreement dated _____, 199_ (the "Underwriting Agreement"), among the Company, the Trust and the underwriters named in Schedule I thereto (the "Underwriters") for whom you are acting as Representative. This opinion is being delivered to you as Representative pursuant to Section 5(c)(2) thereof.

All capitalized terms not otherwise defined herein shall have the meanings set forth in the Underwriting Agreement.

In rendering the opinions expressed below, we have examined the registration statement on Form S-3 (Nos. 333-19271, 333-19271-01 and 333-19271-02) pertaining to the Preferred Securities (the "Registration Statement") filed under the Securities Act of 1933, as amended (the "Act"), and the prospectus dated _____ ___, 199_ as supplemented by a final prospectus supplement dated _____, 199_ (the "Final Supplemented Prospectus"), which pursuant to Form S-3 incorporates by reference the Annual Report on Form 10-K of the Company for the fiscal year ended December 31, 1995, the Quarterly Reports on Form 10-Q of the Company for the quarters ended _____ and the Current Reports on Form 8-K of the Company dated _____ (the "Exchange Act Documents"), each as filed under the Securities Exchange Act of 1934, as amended (the "Exchange Act").

In addition, we have examined, and have relied as to matters of fact upon, the documents delivered to you at the closing (except the certificates representing the Preferred Securities and the Notes, of which we have examined specimens), and we have made such other and further investigations as we deemed necessary to express the opinions hereinafter set forth. In such examination, we have assumed the genuineness of all signatures, the legal capacity of natural persons, the authenticity of all documents submitted to us as originals, the conformity to original documents of all documents submitted to us as certified or photostatic copies, and the authenticity of the originals of such latter documents.

The Trust Agreement, Indenture, Guarantee Agreement and the Underwriting Agreement are herein referred to collectively as the "Agreements".

Based upon the foregoing, and subject to the qualifications and limitations stated herein, we are of the opinion, relying as to matters of Florida and Mississippi law upon the opinion dated the date hereof rendered to you by Beggs & Lane, relying as to matters of New York law upon the opinion dated the date hereof rendered to you by Dewey Ballantine and relying as to matters of Delaware law upon the opinion dated the date hereof rendered to you by Richards, Layton & Finger, that:

1. The Company has been duly incorporated and is validly existing as a corporation in good standing under the laws of the State of Maine, is duly qualified to carry on its business as a foreign corporation in the States of Florida, Georgia and Mississippi and has due corporate authority to carry on the public utility business in which it is engaged, to own and operate the properties used by it in such business and to enter into and perform its obligations under the Agreements and the Notes.

2. The execution, delivery and performance by the Company of the Underwriting Agreement have been duly authorized by all necessary corporate action, and the Underwriting Agreement has been duly executed and delivered by the Company.

3. All orders, consents or other authorizations or approvals of the Florida Public Service Commission and the Commission legally required for the issuance and delivery of the Notes and the Guarantee and the issuance and sale of the Preferred Securities have been obtained; such orders are sufficient for the issuance and delivery of the Notes and the Guarantee and the issuance and sale of the Preferred Securities; the issuance and delivery of the Notes and the Guarantee and the issuance and sale of the Preferred Securities conform in all material respects with the terms of such orders; and no other order, consent or other authorization or approval of any Florida or United States governmental body (other than in connection or in compliance with the provisions of the securities or "blue sky" laws of any jurisdiction, as to which we express no opinion) is legally required for the issuance and delivery of the Notes and the Guarantee and the issuance and sale of the Preferred Securities in accordance with the terms of the Underwriting Agreement.

4. The Indenture has been duly authorized, executed and delivered by the Company and, assuming the due authorization, execution and delivery thereof by the Debt Trustee, constitutes a valid and legally binding instrument of the Company, enforceable against the Company in accordance with its terms, subject to the qualifications that the enforceability of the Company's obligations under the Indenture may be limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws relating to or affecting creditors' rights generally and by general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law); and the Indenture conforms as to legal matters in all material respects to the description thereof in the Final Supplemented Prospectus.

5 The Notes have been duly authorized and executed by the Company and, when authenticated by the Debt Trustee in the manner provided in the Indenture and delivered against payment therefor, will constitute valid and binding obligations of the Company, enforceable against the Company in accordance with their terms, subject to the qualifications that the enforceability of the Company's obligations under the Notes may be limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws relating to or affecting creditors' rights generally and by general principles of equity (regardless of whether

such enforceability is considered in a proceeding in equity or at law); and the Notes conform as to legal matters in all material respects to the description thereof in the Final Supplemented Prospectus.

6. The Guarantee Agreement has been duly authorized, executed and delivered by the Company and constitutes a valid and legally binding instrument of the Company, enforceable against the Company in accordance with its terms, subject to the qualifications that the enforceability of the Company's obligations under the Guarantee Agreement may be limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws relating to or affecting creditors' rights generally and by general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law); and the Guarantee Agreement conforms as to legal matters in all material respects to the description thereof in the Final Supplemented Prospectus.

7. Each of the Indenture, the Guarantee Agreement and the Trust Agreement has been duly qualified under the Trust Indenture Act of 1939, as amended.

8. Neither the Company nor the Trust is and, after giving effect to the offering and sale of the Preferred Securities, will be an "investment company" or a company "controlled" by an "investment company" within the meaning of the Investment Company Act of 1940, as amended.

9. The Preferred Securities have been duly authorized by the Trust Agreement and (subject to the terms of the Trust Agreement), when delivered to and paid for by the Underwriters pursuant to the Underwriting Agreement, will be validly issued, fully paid and nonassessable undivided beneficial interests in the assets of the Trust; and the Preferred Securities conform as to legal matters in all material respects to the description thereof in the Final Supplemented Prospectus.

10. The statements and legal conclusions contained in the Final Supplemented Prospectus under the caption "Certain Federal Income Tax Considerations" are correct in all material respects.

We have not independently verified the accuracy, completeness or fairness of the statements made or included in the Registration Statement, the Final Supplemented Prospectus or the Exchange Act Documents and take no responsibility therefor, except as and to the extent set forth in paragraphs 4, 5, 6, 9 and 10 above. In the course of the preparation by the Company of the Registration Statement, the Final Supplemented Prospectus and the

Exchange Act Documents, we participated in conferences with certain officers and employees of the Company, with other counsel for the Company, with representatives of Arthur Andersen LLP and with your counsel. Based upon our examination of the Registration Statement, the Final Supplemented Prospectus and the Exchange Act Documents, our investigations made in connection with the preparation of the Registration Statement, the Final Supplemented Prospectus and the Exchange Act Documents and our participation in the conferences referred to above, (i) we are of the opinion that the Registration Statement, as of its effective date, and the Final Supplemented Prospectus, as of _____, complied as to form in all material respects with the requirements of the Act and the applicable rules and regulations of the Commission thereunder and that the Exchange Act Documents, as of their respective dates of filing with the Commission, complied as to form in all material respects with the relevant requirements of the Exchange Act and the applicable rules and regulations of the Commission thereunder, except that in each case we express no opinion as to the financial statements or other financial or statistical data contained or incorporated by reference in the Registration Statement, the Final Supplemented Prospectus or the Exchange Act Documents, and (ii) nothing came to our attention which gives us reason to believe that the Registration Statement, as of its effective date (including the Exchange Act Documents on file with the Commission as of such date), contained any untrue statement of a material fact or omitted to state any material fact required to be stated therein or necessary in order to make the statements therein not misleading, or that the Final Supplemented Prospectus (including the Exchange Act Documents) contains any untrue statement of a material fact or omits to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading, except that in each case we express no opinion or belief with respect to the financial statements or other financial or statistical data contained or incorporated by reference in the Registration Statement, the Final Supplemented Prospectus or the Exchange Act Documents.

We are members of the State Bar of Georgia and we do not express any opinion herein concerning any law other than the law of the State of Georgia and the federal law of the United States and, to the extent set forth herein, the laws of the States of Maine, Mississippi, Delaware and New York.

This opinion is rendered to you in connection with the above-described transaction. This opinion may not be relied upon by you for any other purpose, or relied upon by or furnished to any other person without our prior written consent.

Yours very truly,

TROUTMAN SANDERS LLP

Schedule IV

[Letterhead of RICHARDS, LAYTON & FINGER]

_____ __, 199_

Goldman, Sachs & Co.
85 Broad Street
New York, New York 10004

Re: Gulf Power Capital Trust I

Ladies and Gentlemen:

We have acted as special Delaware counsel for Gulf Power Company, a Maine corporation (the "Company"), and Gulf Power Capital Trust I, a Delaware business trust (the "Trust"), in connection with the matters set forth herein. This opinion is being furnished to you pursuant to Section 5(c)(3) of the Underwriting Agreement, dated _____, 199_ (the "Underwriting Agreement"), among the Company, the Trust, Goldman, Sachs & Co. and the other Underwriters listed in Schedule I thereto.

For purposes of giving the opinions hereinafter set forth, our examination of documents has been limited to the examination of originals or copies of the following:

(a) The Certificate of Trust of the Trust, dated _____, 199_ (the "Certificate"), as filed in the office of the Secretary of State of the State of Delaware (the "Secretary of State") on _____, 199_;

(b) The Trust Agreement of the Trust, dated as of _____, 199_, among the Company and the trustees of the Trust named therein;

(c) The Amended and Restated Trust Agreement, dated as of _____, 199_ (including Exhibits C and E), among the Company, the trustees of the Trust named therein, and the holders, from time to time, of the undivided beneficial interests in the assets of the Trust (the "Trust Agreement");

(d) The Underwriting Agreement;

(e) The Prospectus, dated _____ __, 199_ (the "Prospectus"), as supplemented by the Prospectus Supplement dated _____, 199_ (the "Prospectus Supplement"), relating to the __% Trust Cumulative Quarterly

Income Preferred Securities of the Trust representing preferred undivided beneficial interests in the assets of the Trust (each, a "Preferred Security" and collectively, the "Preferred Securities"); and

(f) A Certificate of Good Standing for the Trust, dated _____ __, 199_, obtained from the Secretary of State.

Initially capitalized terms used herein and not otherwise defined are used as defined in the Trust Agreement.

For purposes of this opinion, we have not reviewed any documents other than the documents listed in paragraphs (a) through (f) above. In particular, we have not reviewed any document (other than the documents listed in paragraphs (a) through (f) above) that is referred to in or incorporated by reference into the documents reviewed by us. We have assumed that there exists no provision in any document that we have not reviewed that is inconsistent with the opinions stated herein. We have conducted no independent factual investigation of our own but rather have relied solely upon the foregoing documents, the statements and information set forth therein and the additional matters recited or assumed herein, all of which we have assumed to be true, complete and accurate in all material respects.

With respect to all documents examined by us, we have assumed (i) the authenticity of all documents submitted to us as authentic originals, (ii) the conformity with the originals of all documents submitted to us as copies or forms, and (iii) the genuineness of all signatures.

For purposes of this opinion, we have assumed (i) the Trust Agreement constitutes the entire agreement among the parties thereto with respect to the subject matter thereof, including with respect to the creation, operation and termination of the Trust, and the Trust Agreement and the Certificate are in full force and effect and have not been amended, (ii) except to the extent provided in paragraph 1 below, the due organization or due formation or due creation, as the case may be, and valid existence in good standing of each party to the documents examined by us under the laws of the jurisdiction governing its organization or formation or creation, (iii) the legal capacity of natural persons who are parties to the documents examined by us, (iv) except to the extent provided in paragraph 2 below, the power and authority of each of the parties to the documents examined by us to execute and deliver, and to perform its obligations under, such documents, (v) except to the extent provided in paragraph 4 below, the due authorization, execution and delivery by all

parties thereto of all documents examined by us, (vi) the receipt by each Person to whom a Trust Security is to be issued by the Trust (collectively, the "Trust Security Holders") of a Trust Securities Certificate for such Trust Security and the payment for the Trust Security acquired by it, in accordance with the Trust Agreement, the Prospectus and the Prospectus Supplement, and (vii) the issuance and sale of the Trust Securities to the Trust Security Holders in accordance with the Trust Agreement, the Prospectus and the Prospectus Supplement. We have not participated in the preparation of the Prospectus or the Prospectus Supplement.

This opinion is limited to the laws of the State of Delaware (excluding the securities laws of the State of Delaware), and we have not considered and express no opinion on the laws of any other jurisdiction, including federal laws and rules and regulations relating thereto. Our opinions are rendered only with respect to Delaware laws and rules, regulations and orders thereunder which are currently in effect.

Based upon the foregoing, and upon our examination of such questions of law and statutes of the State of Delaware as we have considered necessary or appropriate, and subject to the assumptions, qualifications, limitations and exceptions set forth herein, we are of the opinion that:

1. The Trust has been duly created and is validly existing in good standing as a business trust under the Delaware Business Trust Act, 12 Del. C. § 3801, et seq. (the "Business Trust Act"), and all filings required under the laws of the State of Delaware with respect to the creation and valid existence of the Trust as a business trust have been made.

2. Under the Business Trust Act and the Trust Agreement, the Trust has the trust power and authority to (i) own property and conduct its business, all as described in the Prospectus and the Prospectus Supplement, (ii) execute and deliver, and to perform its obligations under, the Underwriting Agreement, (iii) issue and perform its obligations under the Trust Securities, and (iv) perform its obligations under the Trust Agreement.

3. The Trust Securities have been duly authorized by the Trust Agreement and will be duly and validly issued undivided beneficial interests in the assets of the Trust. Subject to the qualifications set forth in paragraph 6 below, the Preferred Securities are fully paid and nonassessable undivided beneficial interests in the assets of the Trust. Under the Business Trust Act and the Trust Agreement, the Trust Securities are not subject to any preemptive or other similar rights.

4. Under the Business Trust Act and the Trust Agreement, the Underwriting Agreement has been duly authorized by all necessary trust action on the part of the Trust.

5. No authorization, approval, consent or order of any Delaware court or Delaware governmental authority or Delaware agency is required to be obtained by the Trust solely as a result of the issuance and sale of the Preferred Securities.

6. The Persons to whom Preferred Securities are to be issued by the Trust (collectively, the "Preferred Security Holders"), as beneficial owners of the Trust, will be entitled to the same limitation of personal liability extended to stockholders of private corporations for profit organized under the General Corporation Law of the State of Delaware. We note that the Preferred Security Holders may be obligated, pursuant to the Trust Agreement, to (i) provide indemnity and/or security in connection with and pay taxes or governmental charges arising from transfers or exchanges of Preferred Securities Certificates and the issuance of replacement Preferred Securities Certificates and (ii) provide security or indemnity in connection with requests of or directions to the Property Trustee to exercise its rights and powers under the Trust Agreement.

7. The Trust Agreement constitutes a valid and binding obligation of the Company, and is enforceable against the Company, in accordance with its terms.

8. The issuance and sale by the Trust of the Trust Securities, the execution, delivery and performance by the Trust of the Underwriting Agreement, the consummation by the Trust of the transactions contemplated by the Underwriting Agreement and the Trust Agreement and compliance by the Trust with its obligations thereunder do not violate (i) any of the provisions of the Certificate or the Trust Agreement or (ii) any applicable Delaware law or Delaware administrative regulation.

9. We have reviewed the statements in the Prospectus under the caption "The Trusts" and the statements in the Prospectus Supplement under the caption "Gulf Power Capital Trust I" and, insofar as they contain statements of Delaware law, such statements are fairly presented.

The opinion expressed in paragraph 7 above is subject as to enforcement, to the effect upon the Trust Agreement of (i) bankruptcy, insolvency, moratorium, receivership, reorganization, liquidation, frauoulent conveyance and other similar laws relating to or affecting the rights and remedies of creditors generally, (ii)

principles of equity, including applicable law relating to fiduciary duties (regardless of whether considered and applied in a proceeding in equity or at law), and (iii) the effect of applicable public policy on the enforceability of provisions relating to indemnification. In addition, in connection with the opinion expressed in paragraph 7 above, to the extent that Section 10.05 of the Trust Agreement provides that the Trust Agreement is governed by New York law, we express no opinion concerning Section 10.05 of the Trust Agreement or the effect of Section 10.05 of the Trust Agreement on the Trust Agreement.

We consent to your relying as to matters of Delaware law upon this opinion in connection with the Underwriting Agreement. We consent to the law firms of Beggs & Lane, Troutman Sanders LLP and Dewey Ballantine relying as to matters of Delaware law upon this opinion in connection with opinions to be rendered by them pursuant to the Underwriting Agreement. Except as stated above, without our prior written consent, this opinion may not be furnished or quoted to, or relied upon by, any other Person for any purpose.

Very truly yours,

RICHARDS, LAYTON & FINGER

Schedule V

[Letterhead of Richards, Layton & Finger]

_____ __, 199_

Goldman, Sachs & Co.
85 Broad Street
New York, New York 10004

Gulf Power Company
500 Bayfront Parkway
Pensacola, Florida 32501

Gulf Power Capital Trust I
c/o Gulf Power Company
500 Bayfront Parkway
Pensacola, Florida 32501

Re: Gulf Power Capital Trust I

Ladies and Gentlemen:

We have acted as counsel to Chase Manhattan Bank Delaware, a Delaware banking corporation ("CMBD"), in connection with the formation of Gulf Power Capital Trust I, a business trust existing under the laws of the State of Delaware (the "Trust") pursuant to the Trust Agreement, dated _____, 199_, by and between CMBD, not in its individual capacity but solely as trustee (the "Trustee"), and Gulf Power Company (the "Company"), as amended and restated pursuant to an Amended and Restated Trust Agreement dated as of _____ __, 199_, among the Company, the Trustee, the other trustees named therein and the holders from time to time of the undivided beneficial interests in the assets of the Trust (collectively, the "Trust Agreement"). This opinion is being delivered to you pursuant to Section 5(c)(4) of the Underwriting Agreement, dated _____ __, 199_ (the "Underwriting Agreement"), among Goldman, Sachs & Co., the several Underwriters named in Schedule I thereto, Gulf Power Company and the Trust, pursuant to which the $___,___,___ ___% Cumulative Quarterly Income Preferred Securities of the Trust will be sold. All capitalized terms used herein and not otherwise defined shall have the respective meanings set forth in the Underwriting Agreement.

We have examined an original or a copy of the Trust Agreement. We have also examined originals or copies of such other documents and such corporate records, certificates and other statements of governmental officials and corporate officers and other representatives of the

corporations or entities referred to herein as we have deemed necessary or appropriate for the purposes of the opinions expressed herein. Moreover, as to certain facts material to the opinions expressed herein, we have relied upon the representations and warranties contained in the documents referred to in this paragraph.

Based upon the foregoing and upon an examination of such questions of law as we have deemed necessary or appropriate, and subject to the assumptions, exceptions and qualifications set forth below, we advise you that, in our opinion:

1. CMBD is duly incorporated, validly existing in good standing as a banking corporation under the laws of the State of Delaware and has the power and authority to execute, deliver and perform its obligations under the Trust Agreement.

2. The Trust Agreement has been duly authorized, executed and delivered by CMBD and constitutes a legal, valid and binding obligation of CMBD, enforceable against CMBD, in accordance with its terms.

3. The execution and delivery of, and performance of the terms of, the Trust Agreement by CMBD, does not conflict with or constitute a breach of, or default under, the charter or by-laws of CMBD.

4. No consent, approval or authorization of, or registration, declaration or filing with, any court or governmental agency or body having jurisdiction in the premises is required under Delaware law for the execution, delivery or performance by CMBD of the Trust Agreement.

The foregoing opinions are subject to the following exceptions, qualifications and assumptions:

(A) We are admitted to practice in the State of Delaware and we do not hold ourselves out as being experts on the law of any other jurisdiction. The foregoing opinions are limited to the laws of the State of Delaware and the federal laws of the United States of America governing the banking and trust powers of CMBD (except that we express no opinion with respect to (i) state securities or blue sky laws and (ii) federal securities laws, including, without limitation, the Securities Act of 1933, as amended, the Securities Exchange Act of 1934, as amended, the Trust Indenture Act of 1939, as amended, and the Investment Company Act of 1940, as amended), and we have not considered and express no opinion on the laws, rules and regulations of any other jurisdiction.

(B) The foregoing opinions regarding enforceability are subject to (i) applicable bankruptcy, insolvency, moratorium, receivership, reorganization, fraudulent transfer or conveyance and similar laws relating to and affecting the rights and remedies of creditors generally, (ii) principles of equity (regardless of whether considered and applied in a proceeding in equity or at law), and (iii) the effect of federal or state securities laws on the enforceability of provisions relating to indemnification or contribution.

(C) We have assumed the due authorization, execution and delivery by each of the parties thereto, other than CMBD, of the Trust Agreement, and that each of such parties has the full power, authority and legal right to execute, deliver and perform such document.

(D) We have assumed that all signatures (other than those of CMBD) on documents examined by us are genuine, that all documents submitted to us as originals are authentic, and that all documents submitted to us as copies or specimens conform with the originals, which facts we have not independently verified.

This opinion may be relied upon by you in connection with the matters set forth herein, and without our prior written consent, may not be furnished or quoted to, or relied upon by, any other person or entity for any purpose.

Very truly yours,

RICHARDS, LAYTON & FINGER

Schedule VI

[Letterhead of Cravath, Swaine & Moore]

_____ __, 199_

Goldman, Sachs & Co.
85 Broad Street
New York, New York 10004

Gulf Power Company
500 Bayfront Parkway
Pensacola, Florida 32501

Gulf Power Capital Trust I
c/o Gulf Power Company
500 Bayfront Parkway
Pensacola, Florida 32501

Gulf Power Capital Trust I
_.__% Trust Cumulative Quarterly Income Preferred Securities

Dear Sirs:

We have acted as counsel to The Chase Manhattan Bank (the "Bank") in connection with (a) the Subordinated Note Indenture, dated as of _____ _____, 199_ (the "Original Indenture"), between Gulf Power Company (the "Company") and the Bank, as Trustee, (b) the First Supplemental Indenture dated as of _____ (together with the Original Indenture, herein called the "Indenture"), between the Company and the Bank, as Trustee, (c) the Guarantee Agreement dated as of _____ _____, 199_ (the "Guarantee Agreement"), between the Company, as Guarantor and the Bank, as Trustee, and (d) the Amended and Restated Trust Agreement, dated as of _____ _____, 199_ (the "Trust Agreement") among the Company, the Bank, as Property Trustee, Chase Manhattan Bank Delaware, as Delaware Trustee, and _____ and _____, as Administrative Trustees.

In that connection, we have examined originals, or copies certified or otherwise identified to our satisfaction, of such documents, records and other instruments as we have deemed necessary or appropriate for the purpose of this opinion, including copies of the Indenture, the Trust Agreement, the Guarantee Agreement and certain resolutions adopted by the Board of Directors of the Bank.

Based upon the foregoing, we are of the opinion that:

i) the Bank has been duly incorporated and is validly existing as a banking corporation in good standing under the laws of the State of New York;

ii) the Bank has the corporate trust power and authority to execute, deliver and perform its duties under the Indenture, the Trust Agreement and the Guarantee Agreement, has duly executed and delivered the Indenture, the Trust Agreement and the Guarantee Agreement, and, insofar as the laws governing the trust powers of the Bank are concerned and assuming due authorization, execution and delivery thereof by the other parties thereto, each of the Indenture, the Trust Agreement and the Guarantee Agreement constitutes a legal, valid and binding agreement of the Bank, enforceable against the Bank in accordance with its terms (subject to applicable bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium or other laws affecting creditors' rights generally from time to time in effect and subject, as to enforceability, to general principles of equity, regardless of whether such enforceability is considered in a proceeding in equity or at law).

iii) the execution, delivery and performance by the Bank of the Indenture, the Trust Agreement and the Guarantee Agreement do not conflict with or constitute a breach of the charter or bylaws of the Bank.

iv) no approval, authorization or other action by, or filing with, any governmental authority of the United States of America or the State of New York having jurisdiction over the trust powers of the Bank is required in connection with the execution and delivery by the Bank of the Indenture, the Trust Agreement or the Guarantee Agreement or the performance by the Bank of its duties thereunder, except such as have been obtained, taken or made.

We are admitted to practice in the State of New York, and we express no opinion as to matters governed by any laws other than the laws of the State of New York and the Federal law of the United States of America. We are furnishing this opinion to you solely for your benefit. This opinion is not to be used, circulated, quoted or otherwise referred to for any other purpose.

Very truly yours,

CRAVATH, SWAINE & MOORE

Schedule VII

[Letterhead of DEWEY BALLANTINE]

_____ __, 199_

Goldman, Sachs & Co.
85 Broad Street
New York, New York 10004

GULF POWER CAPITAL TRUST I
_.__% Trust Cumulative Quarterly Income Preferred Securities

Ladies and Gentlemen:

In connection with (i) the formation by Gulf Power Company (the "Company") of Gulf Power Capital Trust I (the "Trust"), a Delaware statutory business trust, pursuant to the amended and restated trust agreement dated _____, 199_ among the Company and the trustees named therein (the "Trust Agreement"); (ii) the Trust's issuance and sale of Cumulative Quarterly Income Preferred Securities evidencing approximately a 97% undivided interest in the Trust (the "Preferred Securities"); (iii) the Trust's issuance and sale of Common Securities evidencing approximately a 3% undivided interest in the Trust; (iv) the Company's issuance and sale to the Trust of $_____ of its Series A ___% Junior Subordinated Notes (the "Notes") pursuant to a Subordinated Note Indenture dated as of _____, 199_, by and between the Company and _____, as trustee, as supplemented by the First Supplemental Indenture dated as of _____ __, 199_ (collectively, the "Indenture"); and (v) the Company's issuance of a guarantee (the "Guarantee") of the Preferred Securities pursuant to a Preferred Securities Guarantee Agreement dated as of _____, 199_ (the "Guarantee Agreement") between the Company and _____, as trustee, we have acted as counsel to you and the other underwriters named in the Schedule I (the "Underwriters") of the Underwriting Agreement dated _____ __, 199_, among the Company, the Trust and the Underwriters for whom you are acting as Representative (the "Underwriting Agreement"). This opinion is being delivered to you as Representative pursuant to Section 5(c)(6) thereof.

All capitalized terms not otherwise defined herein shall have the meanings set forth in the Underwriting Agreement.

In rendering the opinions expressed below, we have examined the registration statement on Form S-3 (Nos. 333-19271, 333 19271-01 and 333-19271-02) pertaining to the Preferred Securities (the "Registration Statement"), filed under the Securities Act of 1933, as amended (the "Act"),

and the prospectus dated _____, as supplemented by a final supplemental prospectus dated _____, which pursuant to Form S-3 incorporates by reference the Annual Report on Form 10-K of the Company for the fiscal year ended December 31, 1995, the Quarterly Reports on Form 10-Q of the Company for the quarters ended _____ and the Current Reports on Form 8-K of the Company, dated _____ (the "Exchange Act Documents"), each as filed under the Securities Exchange Act of 1934 as amended (the "Exchange Act").

In addition, we have examined, and have relied as to matters of fact upon, the documents delivered to you at the closing (except the certificates representing the Preferred Securities and the Notes, of which we have examined specimens), and we have made such other and further investigations as we deemed necessary to express the opinions hereinafter set forth. In such examination, we have assumed the genuineness of all signatures, the legal capacity of natural persons, the authenticity of all documents submitted to us as originals, the conformity to original documents of all documents submitted to us as certified or photostatic copies, and the authenticity of the originals of such latter documents.

The Trust Agreement, Indenture, Guarantee Agreement and the Underwriting Agreement are herein referred to as the "Agreements".

Based upon the foregoing, and subject to the qualifications and limitations stated herein, we are of the opinion, relying as aforesaid and as to all matters covered hereby which are governed by or dependent upon the laws of the States of Florida and Mississippi upon the opinion of Beggs & Lane dated the date hereof and addressed to you, as to all matters covered hereby which are governed by or dependent upon the laws of the State of Georgia upon the opinion of Troutman Sanders LLP dated the date hereof and addressed to you, and as to all matters covered hereby which are governed by or dependent upon the laws of the State of Delaware upon the opinion of Richards, Layton & Finger, dated the date hereof and addressed to you and a form of which is attached as Schedule IV to the Underwriting Agreement, that:

1. The Company has been duly incorporated and is validly existing as a corporation in good standing under the laws of the State of Maine, is duly qualified to carry on its business as a foreign corporation in the States of Florida, Georgia and Mississippi and has due corporate authority to carry on the public utility business in which it is engaged and to own and operate the properties used by

it in such business and to enter into and perform its obligations under the Agreements and the Notes.

2. The execution, delivery and performance by the Company of the Underwriting Agreement have been duly authorized by all necessary corporate action, and the Underwriting Agreement has been duly executed and delivered by the Company.

3. All orders, consents, or other authorizations or approvals of the Florida Public Service Commission and the Commission legally required for the issuance and delivery of the Notes and the Guarantee and the issuance and sale of the Preferred Securities have been obtained; such orders are sufficient for the issuance and delivery of the Notes and the Guarantee and the issuance and sale of the Preferred Securities; the issuance and delivery of the Notes and the Guarantee and the issuance and sale of the Preferred Securities conform in all material respects with the terms of such orders; and no other order, consent or other authorization or approval of any Florida or United States governmental body (other than in connection or in compliance with the provisions of the securities or "blue sky" laws of any jurisdiction, as to which we express no opinion) is legally required for the issuance and delivery of the Notes and the Guarantee and the issuance and sale of the Preferred Securities in accordance with the terms of the Underwriting Agreement.

4. The Indenture has been duly authorized, executed and delivered by the Company and, assuming the due authorization, execution and delivery thereof by the Debt Trustee, constitutes a valid and legally binding instrument of the Company, enforceable against the Company in accordance with its terms, subject to the qualifications that the enforceability of the Company's obligations under the Indenture may be limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws relating to or affecting creditors' rights generally and by general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law); and the Indenture conforms as to legal matters in all material respects to the description thereof in the Final Supplemented Prospectus.

5. The Notes have been duly authorized and executed by the Company and, when authenticated by the Debt Trustee in the manner provided in the Indenture and delivered against payment therefor, will constitute valid and binding obligations of the Company enforceable against the Company in accordance with their terms, subject to the qualifications that the enforceability of the Company's obligations under the Notes may be limited by bankruptcy,

insolvency, reorganization, moratorium and other similar laws relating to or affecting creditors' rights generally and by general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law); the Notes conform as to legal matters in all material respects to the description thereof in the Final Supplemented Prospectus.

6. The Guarantee Agreement has been duly authorized, executed and delivered by the Company and constitutes a valid and legally binding instrument of the Company, enforceable against the Company in accordance with its terms, subject to the qualifications that the enforceability of the Company's obligations under the Guarantee Agreement may be limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws relating to or affecting creditors' rights generally or general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law); and the Guarantee Agreement conforms as to legal matters in all material respects to the description thereof in the Final Supplemented Prospectus.

7. Each of the Indenture, the Guarantee Agreement and the Trust Indenture has been duly qualified under the Trust Indenture Act of 1939, as amended.

8. The Preferred Securities have been duly authorized by the Trust Agreement and (subject to the terms of the Trust Agreement), when delivered to and paid for the Underwriters pursuant to the Underwriting Agreement, will be validly issued, fully paid and nonassessable beneficial interests in the assets of the Trust; and the Preferred Securities conform as to legal matters in all material respects to the description thereof in the Final Supplemented Prospectus.

We have not independently verified the accuracy, completeness or fairness of the statements made or included in the Registration Statement, the Final Supplemented Prospectus or the Exchange Act Documents and take no responsibility therefor, except as and to the extent set forth in paragraphs 4, 5, 6 and 8 above. In the course of the preparation by the Company of the Registration Statement, the Final Supplemented Prospectus and the Exchange Act Documents, we participated in conferences with certain officers and employees of the Company, with representatives of Arthur Andersen LLP and with counsel to the Company. Based upon our examination of the Registration Statement, the Final Supplemented Prospectus and the Exchange Act Documents, our investigations made in connection with the preparation of the Registration Statement and the Final Supplemented Prospectus and our

participation in the conferences referred to above, (i) we are of the opinion that the Registration Statement, as of its effective date, and the Final Supplemented Prospectus, as of _____, complied as to form in all material respects with the requirements of the Act and the applicable rules and regulations of the Commission thereunder and that the Exchange Act Documents, as of their respective dates of filing with the Commission, complied as to form in all material respects with the relevant requirements of the Exchange Act and the applicable rules and regulations of the Commission thereunder, except that in each case we express no opinion as to the financial statements or other financial or statistical data contained or incorporated by reference in the Registration Statement, the Final Supplemented Prospectus or the Exchange Act Documents, and (ii) nothing came to our attention which gives us reason to believe that the Registration Statement, as of its effective date (including the Exchange Act Documents on file with the Commission as of such date), contained any untrue statement of a material fact or omitted to state any material fact required to be stated therein or necessary in order to make the statements therein not misleading, or that the Final Supplemented Prospectus (including the Exchange Act Documents) contains any untrue statement of a material fact or omits to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading, except that in each case we express no opinion or belief with respect to the financial statements or other financial or statistical data contained or incorporated by reference in the Registration Statement, the Final Supplemented Prospectus or the Exchange Act Documents.

We are members of the State Bar of New York and we do not express any opinion herein concerning any law other than the law of the State of New York and the federal law of the United States, and to the extent set forth herein, the laws of the States of Delaware, Maine, Mississippi, Georgia and Florida.

This opinion is rendered solely to you in connection with the above matter. This opinion may not be relied upon by you for any other purpose or relied upon by or furnished to any other person without our prior written consent except that Beggs & Lane and Troutman Sanders LLP may rely on this opinion in giving their opinions pursuant to Section 5(c) of the Underwriting Agreement, insofar as such opinions relate to matters of New York law.

Very truly yours,

DEWEY BALLANTINE

(continued from page S-1)

The Securities Rate and the Distribution Dates for the Preferred Securities will correspond to the interest rate and interest and other payment dates on the Series A Junior Subordinated Notes, which will constitute substantially all the assets of the Trust. As a result, if principal or interest is not paid on the Series A Junior Subordinated Notes, no amounts will be paid on the Preferred Securities. The Company has the right to defer payments of interest on the Series A Junior Subordinated Notes by extending the interest payment period on the Series A Junior Subordinated Notes, at any time and from time to time, for up to 20 consecutive quarters (each, an "Extension Period"). If interest payments are so deferred, distributions on the Preferred Securities also will be deferred and the Company will not be permitted to declare or pay any dividend or distribution on any of its capital stock or make any guarantee payments with respect to the foregoing, or make any payment on any debt securities issued by the Company which rank *pari passu* with or junior to the Series A Junior Subordinated Notes. During any Extension Period, holders of Preferred Securities will be required to include income in the form of original issue discount ("OID") in their gross income for United States federal income tax purposes in advance of the receipt of the cash payments attributable to such deferred interest. See "Description of the Series A Junior Subordinated Notes — Option to Extend Interest Payment Period," "Risk Factors — Option to Extend Interest Payment Period" and "Certain Federal Income Tax Considerations — Original Issue Discount" and "— Market Discount." Deferred installments of interest on the Series A Junior Subordinated Notes will bear interest, compounded quarterly, at a rate per annum equal to the Securities Rate. The payment of such deferred interest, together with interest thereon to the extent permitted by applicable law, will be distributed to the holders of the Preferred Securities as received at the end of any Extension Period.

The Trust Securities are subject to mandatory redemption upon repayment of the Series A Junior Subordinated Notes at maturity or their earlier redemption. The Series A Junior Subordinated Notes are redeemable at the option of the Company (in whole or in part), from time to time, on or after January 31, 2002, or at any time in whole upon the occurrence of a Tax Event or Investment Company Act Event (either, a "Special Event"). The Company will have the right at any time to terminate the Trust and cause the Series A Junior Subordinated Notes to be distributed to the holders of the Trust Securities in liquidation of the Trust. See "Description of the Preferred Securities — Special Event Redemption; Distribution of Series A Junior Subordinated Notes." The Series A Junior Subordinated Notes are subordinated and junior in right of payment to all Senior Indebtedness (as defined herein) of the Company. See "Description of the Junior Subordinated Notes — Subordination" in the accompanying Prospectus. As of September 30, 1996, Senior Indebtedness of the Company aggregated approximately $413,000,000. If the Series A Junior Subordinated Notes are distributed to the holders of the Preferred Securities, the Company will use its best efforts to have the Series A Junior Subordinated Notes listed on the NYSE or on such other exchange as the Preferred Securities are then listed. See "Description of the Preferred Securities — Special Event Redemption; Distribution of Series A Junior Subordinated Notes" and "Description of the Series A Junior Subordinated Notes."

The payment of distributions on the Preferred Securities is guaranteed by the Company under the Guarantee Agreement, but only to the extent that the Trust has funds legally and immediately available therefor (the "Guarantee"). If the Company fails to make required payments on the Series A Junior Subordinated Notes, the Trust will not have sufficient funds to pay such distributions, and the Guarantee does not cover the payment of distributions when the Trust does not have sufficient funds legally available therefor. In such event, the remedy of a holder of Preferred Securities is to enforce the Series A Junior Subordinated Notes. See "Description of the Series A Junior Subordinated Notes" herein and "Description of the Junior Subordinated Notes" in the accompanying Prospectus. The Company's obligations under the Guarantee are subordinate and junior in right of payment to all of its other liabilities and will rank *pari passu* (equal in priority) with the most senior preferred stock of the Company. See "Description of the Guarantees" in the accompanying Prospectus. The Company has, through the Guarantee, the Subordinated Note Indenture, the Series A Junior Subordinated Notes, the Trust Agreement and the Agreement as to Expenses and Liabilities, fully and unconditionally guaranteed, subject to certain subordination provisions, all the Trust's obligations with respect to the Preferred Securities.

In the event of the redemption of the Series A Junior Subordinated Notes or the voluntary or involuntary dissolution, winding-up or termination of the Trust, the holders of the Preferred Securities will be entitled to receive, for each Preferred Security, a liquidation amount of $25 plus accrued and unpaid distributions thereon (including interest thereon) to the date of payment (the "Redemption Price"), unless in connection with such dissolution, winding-up or termination, the Series A Junior Subordinated Notes are distributed to the holders of the Preferred Securities. See "Description of the Preferred Securities — Liquidation Distribution Upon Dissolution."

The Preferred Securities initially will be represented by a global certificate or certificates registered in the name of The Depository Trust Company ("DTC") or its nominee. Beneficial interests in the Preferred Securities will be shown on, and transfers thereof will be effected only through, records maintained by Participants (as defined herein) in DTC. Except as described herein, Preferred Securities in certificated form will not be issued in exchange for the global certificates. See "Description of the Preferred Securities — Book-Entry Only Issuance — The Depository Trust Company."

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SECURITIES OFFERED HEREBY AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH TRANSACTIONS MAY BE EFFECTED ON THE NYSE, IN THE OVER THE COUNTER MARKET OR OTHERWISE. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

PROSPECTUS SUPPLEMENT TO PROSPECTUS DATED JANUARY 10, 1997

1,600,000 Preferred Securities

EXHIBIT A.7.

Gulf Power Capital Trust I

7.625% Cumulative Quarterly Income Preferred Securities (QUIPS℠)*

(Liquidation amount $25 per Preferred Security)

Fully and unconditionally guaranteed, as set forth herein, by

Gulf Power Company

a subsidiary of The Southern Company

The 7.625% Cumulative Quarterly Income Preferred Securities (the "Preferred Securities") offered hereby evidence preferred undivided beneficial interests, representing 97% undivided beneficial interests in the assets of Gulf Power Capital Trust I, a statutory business trust created under the laws of the State of Delaware (the "Trust"). Gulf Power Company, a Maine corporation (the "Company"), will own all the common securities (the "Common Securities" and, together with the Preferred Securities, the "Trust Securities") representing the remaining 3% undivided beneficial interests in the assets of the Trust. The Trust exists for the sole purpose of issuing the Preferred Securities and Common Securities and investing the proceeds thereof in an equivalent amount of the Company's Series A 7.625% junior subordinated deferrable interest notes due December 31, 2036 (the "Series A Junior Subordinated Notes").

The Series A Junior Subordinated Notes will be unsecured obligations of the Company and will be subordinate and junior in right of payment to Senior Indebtedness of the Company, as described herein. See "Description of the Junior Subordinated Notes — Subordination" in the accompanying Prospectus. Holders of the Preferred Securities are entitled to receive cumulative cash distributions at the rate of 7.625% per annum (the "Securities Rate"), accruing from the date of original issuance and payable, unless deferred, quarterly in arrears on March 31, June 30, September 30 and December 31 of each year (each, a "Distribution Date").

(continued on page next page)

See "Risk Factors" beginning on page S-7 for certain information relevant to an investment in the Preferred Securities.

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS SUPPLEMENT OR THE PROSPECTUS TO WHICH IT RELATES. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

	Initial Public Offering Price	Underwriting Commission (1)	Proceeds to Trust (2) (3)
Per Preferred Security	$25.00	(2)	$25.00
Total	$40,000,000	(2)	$40,000,000

(1) The Company and the Trust have agreed to indemnify the several Underwriters against certain liabilities, including liabilities under the Securities Act of 1933, as amended. See "Underwriting."

(2) In view of the fact that the proceeds of the sale of the Preferred Securities will be used to purchase the Series A Junior Subordinated Notes, the Underwriting Agreement provides that the Company will pay to the Underwriters, as compensation ("Underwriters' Compensation") for their arranging the investment therein of such proceeds, $0.7875 per Preferred Security, provided, that such compensation will be $0.50 per Preferred Security sold to certain institutions. Accordingly, the maximum aggregate amount of Underwriters' Compensation will be $1,260,000, but the actual amount of Underwriters' Compensation will be less than such amount to the extent that Preferred Securities are sold to such institutions. See "Underwriting."

(3) Expenses of the offering to be paid by the Company are estimated to be approximately $430,000.

The Preferred Securities offered hereby are offered severally by the Underwriters, as specified herein, subject to receipt and acceptance by them and subject to their right to reject any order in whole or in part. It is expected that delivery of the Preferred Securities will be made only in book-entry form through the facilities of The Depository Trust Company on or about January 31, 1997 against payment therefor in immediately available funds.

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* QUIPS is a service mark of Goldman, Sachs & Co.

Goldman, Sachs & Co.

Dean Witter Reynolds Inc.

A.G. Edwards & Sons, Inc.

The Robinson-Humphrey Company, Inc.

Smith Barney Inc.

The date of this Prospectus Supplement is January 27, 1997.

(continued from page S-1)

The Securities Rate and the Distribution Dates for the Preferred Securities will correspond to the interest rate and interest and other payment dates on the Series A Junior Subordinated Notes, which will constitute substantially all the assets of the Trust. As a result, if principal or interest is not paid on the Series A Junior Subordinated Notes, no amounts will be paid on the Preferred Securities. The Company has the right to defer payments of interest on the Series A Junior Subordinated Notes by extending the interest payment period on the Series A Junior Subordinated Notes, at any time and from time to time, for up to 20 consecutive quarters (each, an "Extension Period"). If interest payments are so deferred, distributions on the Preferred Securities also will be deferred and the Company will not be permitted to declare or pay any dividend or distribution on any of its capital stock or make any guarantee payments with respect to the foregoing, or make any payment on any debt securities issued by the Company which rank *pari passu* with or junior to the Series A Junior Subordinated Notes. During any Extension Period, holders of Preferred Securities will be required to include income in the form of original issue discount ("OID") in their gross income for United States federal income tax purposes in advance of the receipt of the cash payments attributable to such deferred interest. See "Description of the Series A Junior Subordinated Notes — Option to Extend Interest Payment Period," "Risk Factors — Option to Extend Interest Payment Period" and "Certain Federal Income Tax Considerations — Original Issue Discount" and "— Market Discount." Deferred installments of interest on the Series A Junior Subordinated Notes will bear interest, compounded quarterly, at a rate per annum equal to the Securities Rate. The payment of such deferred interest, together with interest thereon to the extent permitted by applicable law, will be distributed to the holders of the Preferred Securities as received at the end of any Extension Period.

The Trust Securities are subject to mandatory redemption upon repayment of the Series A Junior Subordinated Notes at maturity or their earlier redemption. The Series A Junior Subordinated Notes are redeemable at the option of the Company (in whole or in part), from time to time, on or after January 31, 2002, or at any time in whole upon the occurrence of a Tax Event or Investment Company Act Event (either, a "Special Event"). The Company will have the right at any time to terminate the Trust and cause the Series A Junior Subordinated Notes to be distributed to the holders of the Trust Securities in liquidation of the Trust. See "Description of the Preferred Securities — Special Event Redemption; Distribution of Series A Junior Subordinated Notes." The Series A Junior Subordinated Notes are subordinated and junior in right of payment to all Senior Indebtedness (as defined herein) of the Company. See "Description of the Junior Subordinated Notes — Subordination" in the accompanying Prospectus. As of September 30, 1996, Senior Indebtedness of the Company aggregated approximately $413,000,000. If the Series A Junior Subordinated Notes are distributed to the holders of the Preferred Securities, the Company will use its best efforts to have the Series A Junior Subordinated Notes listed on the NYSE or on such other exchange as the Preferred Securities are then listed. See "Description of the Preferred Securities — Special Event Redemption; Distribution of Series A Junior Subordinated Notes" and "Description of the Series A Junior Subordinated Notes."

The payment of distributions on the Preferred Securities is guaranteed by the Company under the Guarantee Agreement, but only to the extent that the Trust has funds legally and immediately available therefor (the "Guarantee"). If the Company fails to make required payments on the Series A Junior Subordinated Notes, the Trust will not have sufficient funds to pay such distributions, and the Guarantee does not cover the payment of distributions when the Trust does not have sufficient funds legally available therefor. In such event, the remedy of a holder of Preferred Securities is to enforce the Series A Junior Subordinated Notes. See "Description of the Series A Junior Subordinated Notes" herein and "Description of the Junior Subordinated Notes" in the accompanying Prospectus. The Company's obligations under the Guarantee are subordinate and junior in right of payment to all of its other liabilities and will rank *pari passu* (equal in priority) with the most senior preferred stock of the Company. See "Description of the Guarantees" in the accompanying Prospectus. The Company has, through the Guarantee, the Subordinated Note Indenture, the Series A Junior Subordinated Notes, the Trust Agreement and the Agreement as to Expenses and Liabilities, fully and unconditionally guaranteed, subject to certain subordination provisions, all the Trust's obligations with respect to the Preferred Securities.

In the event of the redemption of the Series A Junior Subordinated Notes or the voluntary or involuntary dissolution, winding-up or termination of the Trust, the holders of the Preferred Securities will be entitled to receive, for each Preferred Security, a liquidation amount of $25 plus accrued and unpaid distributions thereon (including interest thereon) to the date of payment (the "Redemption Price"), unless in connection with such dissolution, winding-up or termination, the Series A Junior Subordinated Notes are distributed to the holders of the Preferred Securities. See "Description of the Preferred Securities — Liquidation Distribution Upon Dissolution."

The Preferred Securities initially will be represented by a global certificate or certificates registered in the name of The Depository Trust Company ("DTC") or its nominee. Beneficial interests in the Preferred Securities will be shown on, and transfers thereof will be effected only through, records maintained by Participants (as defined herein) in DTC. Except as described herein, Preferred Securities in certificated form will not be issued in exchange for the global certificates. See "Description of the Preferred Securities — Book-Entry Only Issuance — The Depository Trust Company."

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SECURITIES OFFERED HEREBY AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH TRANSACTIONS MAY BE EFFECTED ON THE NYSE, IN THE OVER THE COUNTER MARKET OR OTHERWISE. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

SUMMARY OF OFFERING

The following summary is qualified in its entirety by reference to the detailed information appearing elsewhere in this Prospectus Supplement and in the accompanying Prospectus. Capitalized terms not otherwise defined shall have the meanings assigned in the Glossary.

The Company	The Company is a corporation organized under the laws of the State of Maine on November 2, 1925, and admitted to do business in Florida on January 15, 1926, in Mississippi on October 25, 1976 and in Georgia on November 20, 1984. The Company has its principal office at 500 Bayfront Parkway, Pensacola, Florida 32501, telephone (904) 444-6111. The Company is a wholly owned subsidiary of The Southern Company. The Company is a regulated public utility engaged in the generation, transmission, distribution and sale of electric energy within an approximately 7,400 square mile service area within the northwestern portion of the State of Florida.
The Trust	Gulf Power Capital Trust I is a statutory business trust created under Delaware law solely for the purpose of holding the Company's Series A Junior Subordinated Notes and issuing Preferred Securities and Common Securities evidencing the entire beneficial interest therein (and engaging in activities necessary, appropriate, convenient or incidental thereto).
The Trustees	The Chase Manhattan Bank will act as property trustee (the "Property Trustee") of the Trust. Two officers of the Company also will act as trustees (the "Administrative Trustees") of the Trust. Chase Manhattan Bank Delaware will be an additional trustee (the "Delaware Trustee") of the Trust. The Chase Manhattan Bank also will act as trustee (the "Indenture Trustee") under the Subordinated Note Indenture pursuant to which the Series A Junior Subordinated Notes will be issued and will act as trustee under the Guarantee (the "Guarantee Trustee"). The Property Trustee, Delaware Trustee and Administrative Trustees are sometimes referred to as the "Securities Trustees".
Preferred Securities Offered	The Trust will offer 1,600,000 Preferred Securities evidencing preferred undivided beneficial interests in the assets of the Trust. Holders of the Preferred Securities are entitled to receive cumulative cash distributions at the Securities Rate, accruing from the date of original issuance and payable quarterly in arrears on March 31, June 30, September 30 and December 31 of each year, commencing on March 31, 1997 (each, a "Distribution Date"). The Securities Rate and the Distribution Dates for the Preferred Securities will correspond to the interest rate and payment dates on the Series A Junior Subordinated Notes, which will constitute substantially all the assets of the Trust. As a result, if principal or interest is not paid on the Series A Junior Subordinated Notes, no amounts will be paid on the Preferred Securities. See "Description of the Preferred Securities" herein.
Record Date	The record date for each Distribution Date will be the close of business on the 15th calendar day prior to such Distribution Date.

Series A Junior Subordinated Notes ..... The Trust will invest the proceeds from the issuance of the Preferred Securities and Common Securities in an equivalent amount of Series A 7.625% junior subordinated deferrable interest notes due December 31, 2036. The Series A Junior Subordinated Notes will be subordinate and junior in right of payment to all indebtedness for borrowed money and other obligations of the Company included in the definition of Senior Indebtedness. See "Description of the Junior Subordinated Notes — Subordination" in the accompanying Prospectus.

Guarantee ..... The payment of distributions on the Preferred Securities is guaranteed by the Company under the Guarantee, but only to the extent the Trust has funds legally and immediately available to make such distributions. If the Company does not make principal or interest payments on the Series A Junior Subordinated Notes, the Trust will not have sufficient funds to make distributions on the Preferred Securities, in which event the Guarantee will not apply to such distributions until the Trust has sufficient funds legally available therefor. The obligations of the Company under the Guarantee will be subordinate and junior in right of payment to all other liabilities of the Company and will rank *pari passu* with the most senior preferred stock issued by the Company. See "Risk Factors — Ranking of and Rights Under the Guarantee" herein and "Description of the Guarantees" in the accompanying Prospectus. The Company has, through the Guarantee, the Subordinated Note Indenture, the Series A Junior Subordinated Notes, the Trust Agreement and the Agreement as to Expenses and Liabilities, fully and unconditionally guaranteed, subject to certain subordination provisions, all the Trust's obligations with respect to the Preferred Securities.

Interest Deferral ..... The Company has the right to defer payments of interest on the Series A Junior Subordinated Notes by extending the interest payment period on the Series A Junior Subordinated Notes, at any time and from time to time, for up to 20 consecutive quarters (each, an "Extension Period"). The only restrictions on the Company's ability to defer payments of interest are that during the Extension Period the Company may not (i) pay dividends on or redeem any of its capital stock or (ii) pay principal or interest on any debt securities ranking *pari passu* with or subordinate to the Series A Junior Subordinated Notes. There could be multiple Extension Periods of varying lengths throughout the term of the Series A Junior Subordinated Notes.

If interest payments on the Series A Junior Subordinated Notes are deferred, distributions on the Preferred Securities will also be deferred. During an Extension Period, holders of Preferred Securities will be required to include income in the form of OID in their gross income for federal income tax purposes in advance of the receipt of the cash payments attributable to such deferred interest. See "Description of the Series A Junior Subordinated Notes — Option to Extend Interest Payment Period" and "Certain Federal Income Tax Considerations — Original Issue Discount" and "— Market Discount." Deferred interest will bear interest to the extent permitted by applicable law, com-

pounded quarterly, at a rate per annum equal to the Securities Rate from the date of deferral to the date of payment

Redemption; Distribution ..... The Preferred Securities are subject to mandatory redemption upon repayment of the Series A Junior Subordinated Notes at maturity or their earlier redemption. The Series A Junior Subordinated Notes are redeemable by the Company (in whole or in part), from time to time on or after January 31, 2002, or at any time in whole upon the occurrence of a Special Event. If a partial redemption of the Series A Junior Subordinated Notes would result in the delisting of the Preferred Securities, the Company may only redeem the Series A Junior Subordinated Notes in whole. Any partial redemption of the Series A Junior Subordinated Notes will be effected by the redemption of an equivalent amount of Trust Securities, to be allocated approximately 97% to the Preferred Securities and 3% to the Common Securities. See "Description of the Preferred Securities — Redemption" and "— Special Event Redemption; Distribution of Series A Junior Subordinated Notes."

The Company will have the right at any time to terminate the Trust and cause the Series A Junior Subordinated Notes to be distributed to the holders of the Preferred Securities in liquidation of the Trust. This right is optional and wholly within the discretion of the Company. Circumstances under which the Company may determine to exercise such right could include the occurrence of an Investment Company Act Event or a Tax Event, adverse tax consequences to the Company or the Trust that are not within the definition of a Tax Event because they do not result from an amendment or change described in such definition, and changes in the accounting requirements applicable to the Preferred Securities as described under "Accounting Treatment." See "Description of the Preferred Securities — Special Event Redemption; Distribution of Series A Junior Subordinated Notes."

Special Event ..... A Special Event means a Tax Event or an Investment Company Act Event. A "Tax Event" means that the Administrative Trustees and the Company shall have received an opinion from independent tax counsel experienced in such matters (which may be counsel to the Company) to the effect that, as a result of (a) any amendment to, or change (including any announced prospective change) in, the laws (or any regulations thereunder) of the United States or any political subdivision or taxing authority thereof or therein or (b) any amendment to, or change in, an interpretation or application of such laws or regulations, there is more than an insubstantial risk that (i) the Trust would be subject to United States federal income tax with respect to income accrued or received on the Series A Junior Subordinated Notes, (ii) interest payable to the Trust on the Series A Junior Subordinated Notes would not be deductible by the Company for United States federal income tax purposes, or (iii) the Trust would be subject to more than a *de minimis* amount of other taxes, duties or other governmental charges, which change or amendment becomes effective on or after the Issue Date. An "Investment Company Act Event" means that the Administrative Trustees and the Company shall have received an opinion of independent counsel (which may be counsel to the Company) to the effect that, as a result of a change in law or

regulation or a written change in interpretation or application of law or regulation by any legislative body, court, governmental agency or regulatory authority after the Issue Date, there is more than an insubstantial risk that the Trust is or will be considered an investment company under the Investment Company Act of 1940, as amended (the "1940 Act").

Redemption Price ..... In the event of the redemption of the Trust Securities or other termination of the Trust without distribution of the Series A Junior Subordinated Notes, each Preferred Security shall be entitled to receive a liquidation amount of $25 plus accrued and unpaid distributions thereon (including interest thereon) to the date of payment.

RISK FACTORS

Prospective purchasers of Preferred Securities should carefully review the information contained elsewhere in this Prospectus Supplement and in the accompanying Prospectus and should consider particularly the following matters:

Ranking of and Rights Under the Series A Junior Subordinated Notes

No amounts will be available to make payments on the Preferred Securities except from payments made on the Series A Junior Subordinated Notes. The obligations of the Company under the Series A Junior Subordinated Notes are subordinate and junior in right of payment to all present and future Senior Indebtedness of the Company. At September 30, 1996, Senior Indebtedness of the Company aggregated approximately $413,000,000. There are no terms in the Preferred Securities, the Series A Junior Subordinated Notes or the Guarantee that limit the Company's ability to incur additional indebtedness, including indebtedness that ranks senior to the Series A Junior Subordinated Notes. See "Description of the Guarantees" and "Description of the Junior Subordinated Notes — Subordination" in the accompanying Prospectus.

Ranking of and Rights Under the Guarantee

The Company's obligations under the Guarantee are subordinate and junior in right of payment to all liabilities of the Company and will be *pari passu* with the most senior preferred stock issued by the Company. If the Company were to default in its obligation to pay amounts payable on the Series A Junior Subordinated Notes, the Trust would lack available funds for the payment of distributions or amounts payable on redemption of the Preferred Securities or otherwise, and in such event holders of the Preferred Securities would not be able to rely upon the Guarantee for payment of such amounts.

Option to Extend Interest Payment Period

The Company has the right under the Subordinated Note Indenture, and at any time, and from time to time, to defer payments of interest on the Series A Junior Subordinated Notes for a period of up to 20 consecutive quarters (each, an "Extension Period"), but not beyond the stated maturity of the Series A Junior Subordinated Notes. Prior to the termination of any Extension Period, the Company may further defer payments of interest, *provided* that such Extension Period, together with all such previous and further extensions thereof, may not exceed 20 consecutive quarters. Upon the termination of any Extension Period and the payment of all amounts then due, the Company may select a new Extension Period, subject to the above requirements. There could be multiple Extension Periods of varying lengths throughout the term of the Series A Junior Subordinated Notes. Deferred installments of interest on the Series A Junior Subordinated Notes will bear interest to the extent permitted by applicable law, compounded quarterly, at a rate per annum equal to the Securities Rate. The payment of such deferred interest, together with interest thereon, will be passed through to the holders of the Preferred Securities as received at the end of any Extension Period.

The only restrictions on the Company's ability to defer payments of interest are that during any Extension Period the Company may not (i) pay dividends on or redeem any of its capital stock or (ii) pay principal or interest on any debt securities ranking *pari passu* with or subordinate to the Series A Junior Subordinated Notes. See "Description of the Preferred Securities — Distributions" and "Description of the Series A Junior Subordinated Notes — Option to Extend Interest Payment Period."

Should the Company exercise its rights to defer payments of interest, each holder of Preferred Securities will be required to include income in the form of OID in their gross income for United States federal income tax purposes in respect of the deferred interest allocable to its Preferred Securities. As a result, holders of Preferred Securities will recognize income for United States federal income tax purposes in advance of the receipt of cash and will not receive the cash from the Trust related to such income if such holders dispose of their Preferred Securities prior to the record date for the date on which distributions of such amounts are made. See "Certain Federal Income Tax Considerations — Original Issue Discount" and "— Sale of

Preferred Securities." **Investors should consult with their own tax advisors with respect to the tax consequences of an investment in the Preferred Securities.**

The Company has no current intention of exercising its right to defer payments of interest by extending the interest payment period on the Series A Junior Subordinated Notes. However, should the Company determine to exercise such right in the future, the market price of the Preferred Securities is likely to be affected. A holder that disposes of its Preferred Securities during an Extension Period, therefore, might not receive the same return on its investment as a holder that continues to hold its Preferred Securities. In addition, as a result of the existence of the Company's right to defer interest payments, the market price of the Preferred Securities (which represent an undivided beneficial interest in the Series A Junior Subordinated Notes) may be more volatile than other similar securities that do not have such rights.

Special Event Redemption; Distribution of Series A Junior Subordinated Notes

If a Special Event shall occur and be continuing, the Company will have the option to redeem the Series A Junior Subordinated Notes in cash (with the result that the Preferred Securities shall be redeemed). In addition, the Company will have the right at any time to terminate the Trust and cause the Series A Junior Subordinated Notes to be distributed to the holders of the Trust Securities in liquidation of the Trust. See "Description of the Preferred Securities — Special Event Redemption; Distribution of Series A Junior Subordinated Notes."

There can be no assurance as to the market price for the Series A Junior Subordinated Notes that may be distributed in exchange for Preferred Securities if a termination or liquidation of the Trust were to occur. Accordingly, the Series A Junior Subordinated Notes that the investor may receive on termination and liquidation of the Trust may trade at a discount to the price that the investor paid to purchase the Preferred Securities offered hereby. See "Description of the Series A Junior Subordinated Notes."

Possible Tax Law Changes

On March 19, 1996, the Revenue Reconciliation Bill of 1996 (the "Bill"), the revenue portion of President Clinton's 1996 budget proposal, was released. The Bill would, among other things, generally deny interest deductions for interest on an instrument, issued by a corporation, that has a maximum term of more than 20 years and that is not shown as indebtedness on the separate balance sheet of the issuer or, where the instrument is issued to a related party (other than a corporation), where the holder or some other related party issues a related instrument that is not shown as indebtedness on the issuer's consolidated balance sheet. The above-described provisions of the Bill were proposed to be effective generally for instruments issued on or after December 7, 1995. If such provisions were to apply to the Series A Junior Subordinated Notes, the Company would be unable to deduct interest on the Series A Junior Subordinated Notes. However, on March 29, 1996, the Chairmen of the Senate Finance and House Ways and Means Committees issued a joint statement to the effect that it was their intention that the effective date of the President's legislative proposals, if adopted, will be no earlier than the date of appropriate Congressional action. The Company believes that, under current law, it will be able to deduct interest on the Series A Junior Subordinated Notes. There can be no assurance, however, that current or future legislative proposals or final legislation will not affect the ability of the Company to deduct interest on the Series A Junior Subordinated Notes. Such a change could give rise to a Tax Event, which would permit the Company to cause a redemption of the Preferred Securities, as described more fully under "Description of the Preferred Securities — Special Event Redemption; Distribution of Series A Junior Subordinated Notes."

Limited Voting Rights

Holders of Preferred Securities will have limited voting rights and, except for the rights of holders of Preferred Securities to appoint a Substitute Property Trustee upon the occurrence of certain events described herein, will not be entitled to vote to appoint, remove or replace the Securities Trustees, which voting rights are vested exclusively in the holder of the Common Securities.

Trading Characteristics of Preferred Securities

The Preferred Securities are expected to be listed on the NYSE, subject to official notice of issuance. Accordingly, the Preferred Securities are expected to trade at a price that takes into account the value, if any, of accrued but unpaid distributions; thus, purchasers will not pay and sellers will not receive accrued and unpaid interest with respect to the Preferred Securities that is not included in the trading price thereof. If a Preferred Security is disposed of prior to the occurrence of an Extension Period, any portion of the amount received that is attributable to accrued interest will be treated as interest to a U.S. Holder for tax purposes and will not be treated as part of the amount realized for purposes of determining gain or loss on the disposition of the Preferred Security. If an Extension Period occurs, interest on the Series A Junior Subordinated Notes will be included in the gross income of U.S. holders of Preferred Securities as it accrues rather than when it is paid. Should an Extension Period occur, a holder who disposes of his Preferred Securities between record dates for payments of distributions thereon would be required to include accrued but unpaid interest on the Series A Junior Subordinated Notes through the date of disposition in income as OID, and to add such amount to his adjusted tax basis in his pro rata share of the related Series A Junior Subordinated Notes deemed disposed of. To the extent the selling price is less than the holder's adjusted tax basis, a holder generally will recognize a capital loss. Subject to certain limited exceptions, capital losses cannot be applied to offset ordinary income for United States federal income tax purposes. See "Certain Federal Income Tax Considerations — Original Issue Discount" and "— Sale of Preferred Securities."

The trading price of the Preferred Securities is likely to be sensitive to the level of interest rates generally. If interest rates rise in general, the trading price of the Preferred Securities may decline to reflect the additional yield requirements of the purchasers. Conversely, a decline in interest rates may increase the trading price of the Preferred Securities, although any increase will be moderated by the Company's ability to call the Series A Junior Subordinated Notes at any time on or after January 31, 2002 at a redemption price equal to 100% of the principal amount to be redeemed plus accrued but unpaid interest. In addition, because holders of Preferred Securities will be paid only from payments on the Series A Junior Subordinated Notes and may receive Series A Junior Subordinated Notes upon the termination of the Trust, prospective purchasers of Preferred Securities are making an investment decision with regard to the Series A Junior Subordinated Notes and should carefully review all the information regarding the Series A Junior Subordinated Notes contained herein. See "Description of the Preferred Securities — Special Event Redemption; Distribution of Series A Junior Subordinated Notes" and "Description of the Series A Junior Subordinated Notes."

GULF POWER CAPITAL TRUST I

The Trust is a statutory business trust created under Delaware law pursuant to the filing of a certificate of trust with the Delaware Secretary of State on December 26, 1996. The Trust's business is defined in a trust agreement, executed by the Company, as Depositor, and the Delaware Trustee thereunder. This trust agreement will be amended and restated in its entirety on the Issue Date substantially in the form filed as an exhibit to the Registration Statement of which this Prospectus Supplement and the accompanying Prospectus form a part (the "Trust Agreement"). The Trust Agreement will be qualified as an indenture under the Trust Indenture Act of 1939, as amended (the "1939 Act"). The Trust exists for the exclusive purposes of (i) issuing the Trust Securities representing undivided beneficial interests in the assets of the Trust, (ii) investing the gross proceeds of the Trust Securities in the Series A Junior Subordinated Notes, and (iii) engaging in only those other activities necessary, appropriate, convenient or incidental thereto. The Trust has a term of approximately 45 years, but may terminate earlier as provided in the Trust Agreement.

Upon issuance of the Preferred Securities, the purchasers thereof will own all of the Preferred Securities. The Company will acquire all of the Common Securities, which will have an aggregate liquidation amount equal to approximately 3% of the total capital of the Trust. The Common Securities will rank *pari passu*, and payments will be made thereon pro rata, with the Preferred Securities, except that upon the occurrence and continuance of a Subordinated Note Indenture Event of Default, the rights of the holders of Common

Securities to payment in respect of distributions and payments upon liquidation, redemption and otherwise will be subordinated to the rights of the holders of the Preferred Securities.

The Trust's business and affairs will be conducted by the Securities Trustees, which shall be appointed by the Company as the holder of the Common Securities. Two officers of the Company initially will serve as Administrative Trustees. The Chase Manhattan Bank will serve as Property Trustee and will hold legal title to the Series A Junior Subordinated Notes issued by the Company on behalf of the Trust and the holders of the Trust Securities. Chase Manhattan Bank Delaware will serve as Delaware Trustee. In certain circumstances, the holders of a majority in liquidation amount of the Preferred Securities will be entitled to appoint a Substitute Property Trustee. See "Description of the Preferred Securities — Voting Rights."

The Property Trustee will hold legal title to the Series A Junior Subordinated Notes for the benefit of the Trust and the holders of the Trust Securities and will have the power to exercise all rights, powers and privileges under the Subordinated Note Indenture as the holder of the Series A Junior Subordinated Notes. The Property Trustee will make payments of distributions and payments on liquidation, redemption and otherwise to the holders of the Trust Securities. Subject to the right of the holders of the Preferred Securities to appoint a Substitute Property Trustee in certain instances, the Company, as the holder of all the Common Securities, will have the right to appoint, remove or replace all the Securities Trustees.

The Series A Junior Subordinated Notes will constitute substantially all of the assets of the Trust. Other assets that may constitute "Trust Property" (as that term is defined in the Trust Agreement) include any cash on deposit in, or owing to, the payment account as established under the Trust Agreement, as well as any other property or assets held by the Property Trustee pursuant to the Trust Agreement. In addition, the Trust may, from time to time, receive cash pursuant to the Agreement as to Expenses and Liabilities.

The rights of the holders of the Preferred Securities, including economic rights, rights to information and voting rights, are as set forth in the Trust Agreement, the Delaware Business Trust Act, and the 1939 Act. See "Description of the Preferred Securities."

The Trust's registered office in the State of Delaware is c/o Chase Manhattan Bank Delaware, 1201 Market Street, Wilmington, Delaware 19801. The principal place of business of the Trust shall be c/o the Company, 500 Bayfront Parkway, Pensacola, Florida 32501, telephone (904) 444-6111, Attn: Treasurer.

CAPITALIZATION

The following table sets forth the capitalization of the Company as of September 30, 1996, and as adjusted to reflect the items described in note (2) below. The following data is qualified in its entirety by reference to and, therefore, should be read together with the detailed information and financial statements appearing in the documents incorporated herein by reference. See also "Selected Information" in the accompanying Prospectus.

	As of September 30, 1996		
	Actual	As Adjusted(2)	
	(Thousands, except percentages)		
Common Stock Equity	$446,672	$446,672	49.2%
Cumulative Preferred Stock	89,602	89,602	9.9
Company Obligated Mandatorily Redeemable Preferred Securities of Subsidiary Trust Holding Company Junior Subordinated Notes(1)	--	40,000	4.4
Long-Term Debt	331,871	332,356	36.5
Total, excluding amounts due within one year	$868,145	$908,630	100.0%

(1) As described herein and in the accompanying Prospectus, substantially all of the assets of the Trust will be Series A Junior Subordinated Notes of the Company with an aggregate principal amount not exceeding $41,237,125, and upon redemption of such debt, the related Preferred Securities will be mandatorily redeemable.

(2) Reflects (i) the sale in November 1996 of $25,000,000 principal amount of First Mortgage Bonds, 6⅞% Series due November 1, 2006, the redemption in December 1996 of $49,180,000 principal amount of First Mortgage Bonds, 8¼% Series due December 1, 2021, and the net increase during the fourth quarter of 1996 of $24,665,000 in long-term notes payable; and (ii) the proposed issuance of the Preferred Securities.

ACCOUNTING TREATMENT

For financial reporting purposes, the Trust will be treated as a subsidiary of the Company and, accordingly, the accounts of the Trust will be included in the consolidated financial statements of the Company. The Preferred Securities will be presented as a separate line item in the consolidated balance sheet of the Company, and appropriate disclosures concerning the Preferred Securities, the Guarantee and the Series A Junior Subordinated Notes will be included in the notes to the consolidated financial statements. For financial reporting purposes, the Company will record distributions payable on the Preferred Securities as an expense.

RECENT RESULTS OF OPERATIONS

For the year ended December 31, 1996, the unaudited amounts of "Operating Revenues," "Income Before Interest Charges" and "Net Income After Dividends on Preferred Stock" were $634,365,000, $94,283,000 and $57,845,000, respectively. In the opinion of the management of the Company, the above unaudited amounts for the year ended December 31, 1996 reflect all adjustments (which were only normal recurring adjustments) necessary to present fairly the results of operations for such period. The "Ratio of Earnings to Fixed Charges" and the "Ratio of Earnings to Fixed Charges Plus Preferred Dividend Requirements (Pre-Income Tax Basis)" for the year ended December 31, 1996 were 4.29 and 3.31, respectively.

DESCRIPTION OF THE PREFERRED SECURITIES

The Preferred Securities will be issued pursuant to the terms of the Trust Agreement. The Trust Agreement will be qualified as an indenture under the 1939 Act. The Property Trustee will act as the indenture trustee with respect to the Trust, as well as the Guarantee, for purposes of compliance with the provisions of the 1939 Act. The terms of the Preferred Securities will include those stated in the Trust Agreement, the Delaware Business Trust Act, and those made part of the Trust Agreement by the 1939 Act.

The following summary of the principal terms and provisions of the Preferred Securities does not purport to be complete and is subject to, and qualified in its entirety by reference to, the Trust Agreement, the form of which is filed as an exhibit to the Registration Statement of which this Prospectus Supplement and the accompanying Prospectus are a part, as well as the 1939 Act.

General

The Trust Agreement authorizes the Administrative Trustees, on behalf of the Trust, to issue the Preferred Securities, which represent preferred undivided beneficial interests in the assets of the Trust, and the Common Securities, which represent common undivided beneficial interests in the assets of the Trust. All of the Common Securities will be owned by the Company. The Common Securities rank *pari passu*, and payments will be made thereon on a pro rata basis, with the Preferred Securities, except that upon the occurrence of a Subordinated Note Indenture Event of Default, the rights of the holders of the Common Securities to receive payment of periodic distributions and payments upon liquidation, redemption and otherwise will be subordinated to the rights of the holders of the Preferred Securities. The Trust Agreement does not permit the issuance by the Trust of any securities other than the Trust Securities or the incurrence of any indebtedness by the Trust. Pursuant to the Trust Agreement, the Property Trustee will own and hold the Series A Junior Subordinated Notes for the benefit of the Trust and the holders of the Trust Securities. The payment of distributions out of money held by the Trust, and payments upon redemption of the Preferred Securities or liquidation of the Trust, are guaranteed by the Company on a subordinated basis as and to the extent described under "Description of the Guarantees" in the accompanying Prospectus. The Guarantee does not cover payment of distributions on the Preferred Securities when the Trust does not have legally and immediately available funds sufficient to make such distributions. In such event, the remedy of a holder of Preferred Securities is to direct the Property Trustee to enforce its rights under the Series A Junior Subordinated Notes. If the Property Trustee fails to enforce its rights under the Series A Junior Subordinated Notes, a holder of Preferred Securities may, to the fullest extent permitted by applicable law, institute a legal proceeding directly against the Company to enforce its rights under the Trust Agreement without first instituting any legal proceeding against the Property Trustee or the Trust. In addition, a holder of Preferred Securities may institute a legal proceeding directly against the Company, without first instituting a legal proceeding against the Property Trustee or any other person or entity, for enforcement of payment to such holder of principal of or interest on the Series A Junior Subordinated Notes having a principal amount equal to the aggregate stated liquidation amount of the Preferred Securities of such holder on or after the due dates specified in the Series A Junior Subordinated Notes. The above mechanisms and obligations, together with the Company's obligations under the Agreement as to Expenses and Liabilities, constitute a full and unconditional guarantee by the Company of payments due on the Preferred Securities. See "— Voting Rights" below.

Distributions

Distributions on the Preferred Securities will be fixed at the Securities Rate and will accrue from the Issue Date and, except in the event of an Extension Period, will be payable quarterly in arrears on March 31, June 30, September 30 and December 31 of each year. In the event that any date on which distributions are to be made on the Preferred Securities is not a Business Day, then payment of the distributions payable on such date will be made on the next succeeding day that is a Business Day (and without any interest or other payment in respect of any such delay) except that, if such Business Day is in the next succeeding calendar year, such payment shall be made on the immediately preceding Business Day, in each case with the same force and effect as if made on such date. A "Business Day" shall mean any day other than a Saturday or Sunday, a day on which banks in New York City are authorized or obligated by law or executive order to remain closed or a day on which the principal corporate trust office of the Property Trustee or the Indenture Trustee is closed for business.

Distributions payable on any Distribution Date will be payable to the holders of record on the Record Date for such Distribution Date, which is the close of business on the fifteenth calendar day preceding such Distribution Date. Subject to any applicable laws and regulations and the provisions of the Trust Agreement,

The following summary of the principal terms and provisions of the Preferred Securities does not purport to be complete and is subject to, and qualified in its entirety by reference to, the Trust Agreement, the form of which is filed as an exhibit to the Registration Statement of which this Prospectus Supplement and the accompanying Prospectus are a part, as well as the 1939 Act.

General

The Trust Agreement authorizes the Administrative Trustees, on behalf of the Trust, to issue the Preferred Securities, which represent preferred undivided beneficial interests in the assets of the Trust, and the Common Securities, which represent common undivided beneficial interests in the assets of the Trust. All of the Common Securities will be owned by the Company. The Common Securities rank *pari passu*, and payments will be made thereon on a pro rata basis, with the Preferred Securities, except that upon the occurrence of a Subordinated Note Indenture Event of Default, the rights of the holders of the Common Securities to receive payment of periodic distributions and payments upon liquidation, redemption and otherwise will be subordinated to the rights of the holders of the Preferred Securities. The Trust Agreement does not permit the issuance by the Trust of any securities other than the Trust Securities or the incurrence of any indebtedness by the Trust. Pursuant to the Trust Agreement, the Property Trustee will own and hold the Series A Junior Subordinated Notes for the benefit of the Trust and the holders of the Trust Securities. The payment of distributions out of money held by the Trust, and payments upon redemption of the Preferred Securities or liquidation of the Trust, are guaranteed by the Com, any on a subordinated basis as and to the extent described under "Description of the Guarantees" in the accompanying Prospectus. The Guarantee does not cover payment of distributions on the Preferred Securities when the Trust does not have legally and immediately available funds sufficient to make such distributions. In such event, the remedy of a holder of Preferred Securities is to direct the Property Trustee to enforce its rights under the Series A Junior Subordinated Notes. If the Property Trustee fails to enforce its rights under the Series A Junior Subordinated Notes, a holder of Preferred Securities may, to the fullest extent permitted by applicable law, institute a legal proceeding directly against the Company to enforce its rights under the Trust Agreement without first instituting any legal proceeding against the Property Trustee or the Trust. In addition, a holder of Preferred Securities may institute a legal proceeding directly against the Company, without first instituting a legal proceeding against the Property Trustee or any other person or entity, for enforcement of payment to such holder of principal of or interest on the Series A Junior Subordinated Notes having a principal amount equal to the aggregate stated liquidation amount of the Preferred Securities of such holder on or after the due dates specified in the Series A Junior Subordinated Notes. The above mechanisms and obligations, together with the Company's obligations under the Agreement as to Expenses and Liabilities, constitute a full and unconditional guarantee by the Company of payments due on the Preferred Securities. See "— Voting Rights" below.

Distributions

Distributions on the Preferred Securities will be fixed at the Securities Rate and will accrue from the Issue Date and, except in the event of an Extension Period, will be payable quarterly in arrears on March 31, June 30, September 30 and December 31 of each year. In the event that any date on which distributions are to be made on the Preferred Securities is not a Business Day, then payment of the distributions payable on such date will be made on the next succeeding day that is a Business Day (and without any interest or other payment in respect of any such delay) except that, if such Business Day is in the next succeeding calendar year, such payment shall be made on the immediately preceding Business Day, in each case with the same force and effect as if made on such date. A "Business Day" shall mean any day other than a Saturday or Sunday, a day on which banks in New York City are authorized or obligated by law or executive order to remain closed or a day on which the principal corporate trust office of the Property Trustee or the Indenture Trustee is closed for business.

Distributions payable on any Distribution Date will be payable to the holders of record on the Record Date for such Distribution Date, which is the close of business on the fifteenth calendar day preceding such Distribution Date. Subject to any applicable laws and regulations and the provisions of the Trust Agreement,

each such payment will be made as described under "— Book-Entry Only Issuance — The Depository Trust Company" below. The amount of distributions payable for any period will be computed on the basis of a 360-day year of twelve 30-day months.

The Company has the right under the Subordinated Note Indenture to defer payments of interest on the Series A Junior Subordinated Notes by extending the interest payment period from time to time on the Series A Junior Subordinated Notes (each, an "Extension Period") which, if exercised, would defer quarterly distributions on the Preferred Securities during any such extended interest payment period. Deferred installments of interest on the Series A Junior Subordinated Notes will bear interest, compounded quarterly, at a rate per annum equal to the Securities Rate. If distributions are deferred, the deferred distributions and accrued interest thereon shall be paid, if funds are legally available therefor, to holders of record of the Preferred Securities as they appear on the books and records of the Trust on the Record Date next following the termination of such Extension Period. See "Description of the Series A Junior Subordinated Notes – Interest" and "— Option to Extend Interest Payment Period."

Distributions on the Preferred Securities must be paid on the Distribution Dates to the extent that the Trust has funds legally and immediately available for the payment of such distributions. The Trust's funds available for distribution to the holders of the Preferred Securities will be limited to payments received under the Series A Junior Subordinated Notes. See "Description of the Series A Junior Subordinated Notes."

Redemption

The Preferred Securities are subject to mandatory redemption upon repayment of the Series A Junior Subordinated Notes at maturity or their earlier redemption. The Series A Junior Subordinated Notes will mature on December 31, 2036 and may be redeemed, in whole or in part, at the option of the Company, at any time on or after January 31, 2002, or at any time in whole upon the occurrence of a Special Event. Upon the repayment of the Series A Junior Subordinated Notes, whether at maturity or upon redemption, the proceeds from such repayment or payment shall simultaneously be applied to redeem a like amount of Trust Securities upon not less than 30 nor more than 60 days' notice, at the Redemption Price (as defined below). See "Description of the Series A Junior Subordinated Notes — Optional Redemption." If a partial redemption of the Series A Junior Subordinated Notes would result in the delisting of the Preferred Securities, the Company may only redeem the Series A Junior Subordinated Notes in whole. In the event that fewer than all of the outstanding Trust Securities are to be redeemed, the Preferred Securities to be redeemed will be selected as described under "— Book-Entry Only Issuance — The Depository Trust Company" below. If the Preferred Securities are no longer in book-entry only form, the Preferred Securities to be redeemed will be selected by such method as the Property Trustee shall deem fair and appropriate and which may provide for the selection for redemption of portions (equal to $25 or integral multiples thereof) of the aggregate liquidation amount of Preferred Securities of a denomination larger than $25; provided, however, that before undertaking the redemption of the Preferred Securities on other than a pro rata basis, the Property Trustee shall have received an opinion of counsel that the status of the Trust as a grantor trust for federal income tax purposes would not be adversely affected.

The Redemption Price for each Preferred Security shall equal the stated liquidation amount of $25 plus accrued and unpaid distributions thereon to the date of payment.

Special Event Redemption; Distribution of Series A Junior Subordinated Notes

Upon the occurrence of a Special Event at any time, the Company will have the option to redeem the Series A Junior Subordinated Notes in whole (and thus cause the redemption of the Preferred Securities in whole). A Special Event is either an Investment Company Act Event or a Tax Event.

An "Investment Company Act Event" means that the Administrative Trustees and the Company shall have received an opinion of independent counsel (which may be counsel to the Company) to the effect that, as a result of a change in law or regulation or a written change in interpretation or application of law or regulation by any legislative body, court, governmental agency or regulatory authority after the Issue Date,

there is more than an insubstantial risk that the Trust is or will be considered an investment company under the 1940 Act.

"Tax Event" means that the Administrative Trustees and the Company shall have received an opinion from independent tax counsel experienced in such matters (which may be counsel to the Company) to the effect that, as a result of (a) any amendment to, or change (including any announced prospective change) in, the laws (or any regulations thereunder) of the United States or any political subdivision or taxing authority thereof or therein or (b) any amendment to, or change in, an interpretation or application of such laws or regulations, there is more than an insubstantial risk that (i) the Trust would be subject to United States federal income tax with respect to income accrued or received on the Series A Junior Subordinated Notes, (ii) interest payable to the Trust on the Series A Junior Subordinated Notes would not be deductible by the Company for United States federal income tax purposes or (iii) the Trust would be subject to more than a *de minimis* amount of other taxes, duties or other governmental charges, which change or amendment becomes effective on or after the Issue Date. See "Risk Factors — Possible Tax Law Changes."

The Company will have the right at any time to terminate the Trust and, after satisfaction of liabilities to creditors of the Trust, if any, cause the Series A Junior Subordinated Notes to be distributed to the holders of the Trust Securities in liquidation of the Trust. See "— Liquidation Distribution Upon Dissolution" below. This right is optional and wholly within the discretion of the Company. Circumstances under which the Company may determine to exercise such right could include the occurrence of an Investment Company Act Event or a Tax Event, adverse tax consequences to the Company or the Trust that are not within the definition of a Tax Event because they do not result from an amendment or change described in such definition, and changes in the accounting requirements applicable to the Preferred Securities as described under "Accounting Treatment."

If Series A Junior Subordinated Notes are distributed to the holders of the Preferred Securities, the Company will use its best efforts to have the Series A Junior Subordinated Notes listed on the NYSE or on such other exchange as the Preferred Securities are then listed. After the date for any distribution of Series A Junior Subordinated Notes upon termination of the Trust, (i) the Preferred Securities and the Guarantee will no longer be deemed to be outstanding, (ii) the depositary or its nominee, as the record holder of the Preferred Securities, will receive a registered global certificate or certificates representing the Series A Junior Subordinated Notes to be delivered upon such distribution and (iii) any certificates representing Preferred Securities and the Guarantee not held by the depositary or its nominee will be deemed to represent Series A Junior Subordinated Notes having an aggregate principal amount equal to the aggregate stated liquidation amount of, with an interest rate identical to the Securities Rate of, and accrued and unpaid interest equal to accrued and unpaid distributions on, such Preferred Securities, until such certificates are presented to the Company or its agent for transfer or reissuance.

There can be no assurance as to the market prices for the Preferred Securities or the Series A Junior Subordinated Notes that may be distributed in exchange for the Preferred Securities if a termination and liquidation of the Trust were to occur. Accordingly, the Preferred Securities that an investor may purchase, or the Series A Junior Subordinated Notes that the investor may receive on termination and liquidation of the Trust, may trade at a discount to the price that the investor paid to purchase the Preferred Securities offered hereby.

Redemption Procedures

In the event that fewer than all of the Trust Securities are to be redeemed, then the aggregate liquidation amount of the Trust Securities to be redeemed shall be allocated 97% to the Preferred Securities and 3% to the Common Securities.

The Preferred Securities redeemed on each redemption date shall be redeemed at the Redemption Price with the proceeds from the contemporaneous redemption of the Series A Junior Subordinated Notes. The Redemption Price of Preferred Securities shall be deemed payable on each redemption date only to the extent that the Trust has funds legally and immediately available for payment of such Redemption Price.

If the Property Trustee gives a notice of redemption in respect of Preferred Securities (which notice will be irrevocable), then, by 2:00 P.M., New York City time, on the redemption date, subject to the immediately preceding paragraph, the Property Trustee will irrevocably deposit with the securities depositary, so long as the Preferred Securities are in book-entry only form, sufficient funds to pay the applicable Redemption Price. See "— Book-Entry Only Issuance — The Depository Trust Company" below. If the Preferred Securities are no longer in book-entry only form, the Property Trustee, subject to the immediately preceding paragraph, shall irrevocably deposit with the Paying Agent funds sufficient to pay the applicable Redemption Price and will give the Paying Agent irrevocable instructions to pay the Redemption Price to the holders thereof upon surrender of their Preferred Securities certificates. If notice of redemption shall have been given and funds deposited as required, then immediately prior to the close of business on the date of such deposit distributions will cease to accrue and all rights of holders of such Preferred Securities so called for redemption will cease, except the right of the holders of such Preferred Securities to receive the Redemption Price, but without interest on such Redemption Price. In the event that any date fixed for redemption of Preferred Securities is not a Business Day, then payment of the Redemption Price payable on such date will be made on the next succeeding day which is a Business Day (and without any interest or other payment in respect of any such delay), except that, if such Business Day falls in the next calendar year, such payment will be made on the immediately preceding Business Day. In the event that payment of the Redemption Price in respect of Preferred Securities is improperly withheld or refused and not paid either by the Trust or by the Company pursuant to the Guarantee, distributions on such Preferred Securities will continue to accrue at the then applicable rate, from such redemption date originally established by the Trust for such Preferred Securities to the date such Redemption Price is actually paid. See "— Events of Default" below, "Relationship Among the Preferred Securities, the Series A Junior Subordinated Notes and the Guarantee" and "Description of the Guarantees — Events of Default" in the accompanying Prospectus.

Subject to the foregoing and to applicable law (including, without limitation, United States federal securities laws), the Company or its affiliates may, at any time and from time to time, purchase outstanding Preferred Securities by tender, in the open market or by private agreement.

Book-Entry Only Issuance — The Depository Trust Company

The Depository Trust Company ("DTC") will act as the initial securities depositary for the Preferred Securities. The Preferred Securities will be issued only as fully registered securities registered in the name of Cede & Co., DTC's nominee. One or more fully registered global Preferred Securities certificates will be issued, representing in the aggregate the total number of Preferred Securities, and will be deposited with DTC.

DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the 1934 Act. DTC holds securities that its participants ("Participants") deposit with DTC. DTC also facilitates the settlement among Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in Participants' accounts, thereby eliminating the need for physical movement of securities certificates. Direct Participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations ("Direct Participants"). DTC is owned by a number of its Direct Participants and by the NYSE, the American Stock Exchange, Inc., and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as securities brokers and dealers, banks and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The rules applicable to DTC and its Participants are on file with the Commission.

Purchases of Preferred Securities within the DTC system must be made by or through Direct Participants, which will receive a credit for the Preferred Securities on DTC's records. The ownership interest of each actual purchaser of Preferred Securities ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchases, but Beneficial Owners are expected to receive written confirmations providing details of the

transactions, as well as periodic statements of their holdings, from the Direct or Indirect Participants through which the Beneficial Owners purchased Preferred Securities. Transfers of ownership interests in the Preferred Securities are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Preferred Securities, except in the event that use of the book-entry system for the Preferred Securities is discontinued.

DTC has no knowledge of the actual Beneficial Owners of the Preferred Securities. DTC's records reflect only the identity of the Direct Participants to whose accounts such Preferred Securities are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all of the Preferred Securities are being redeemed, DTC will reduce the amount of the interest of each Direct Participant in the Preferred Securities in accordance with its procedures.

Although voting with respect to the Preferred Securities is limited, in those cases where a vote is required, neither DTC nor Cede & Co. will itself consent or vote with respect to Preferred Securities. Under its usual procedures, DTC would mail an Omnibus Proxy to the Trust as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Preferred Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Distribution payments on the Preferred Securities will be made to DTC. DTC's practice is to credit Direct Participants' accounts on the relevant payment date in accordance with their respective holdings shown on DTC's records unless DTC has reason to believe that it will not receive payments on such payment date. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the account of customers registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trust, any trustee or the Company, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of distributions to DTC is the responsibility of the Trust, disbursement of such payments to Direct Participants is the responsibility of DTC, and disbursement of such payments to the Beneficial Owners is the responsibility of Direct and Indirect Participants.

Except as provided herein, a Beneficial Owner in a global Preferred Security will not be entitled to receive physical delivery of Preferred Securities. Accordingly, each Beneficial Owner must rely on the procedures of DTC to exercise any rights under the Preferred Securities. The laws of some jurisdictions require that certain purchasers of securities take physical delivery of securities in definitive form. Such laws may impair the ability to transfer beneficial interests in a global Preferred Security.

DTC may discontinue providing its services as securities depositary with respect to the Preferred Securities at any time by giving reasonable notice to the Trust. Under such circumstances, in the event that a successor securities depositary is not obtained, Preferred Securities certificates will be printed and delivered to the holders of record. Additionally, the Company may decide to discontinue use of the system of book-entry transfers through DTC (or a successor depositary) with respect to the Preferred Securities. In that event, certificates for the Preferred Securities will be printed and delivered to the holders of record.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Company and the Trust believe to be reliable, but the Company and the Trust take no responsibility for the accuracy thereof. The Trust has no responsibility for the performance by DTC or its Participants of their respective obligations as described herein or under the rules and procedures governing their respective operations.

Liquidation Distribution Upon Dissolution

Pursuant to the Trust Agreement, the Trust shall terminate on December 31, 2042, or earlier upon (i) the occurrence of a Bankruptcy Event (as defined in the Trust Agreement) in respect of the Company, dissolution or liquidation of the Company, or dissolution of the Trust pursuant to a judicial decree, (ii) the delivery of written direction to the Property Trustee by the Company, as Depositor, at any time (which direction is optional and wholly within the discretion of the Company, as Depositor) to terminate the Trust and distribute the Series A Junior Subordinated Notes to the holders of the Trust Securities in liquidation of the Trust (see "— Special Event Redemption; Distribution of Series A Junior Subordinated Notes" above); or (iii) the payment at maturity or redemption of all of the Series A Junior Subordinated Notes, and the consequent payment of the Trust Securities.

If an early termination occurs as described in clause (i) or (ii) above, the Trust shall be liquidated, and the Property Trustee shall distribute to each holder of Preferred Securities and Common Securities a like amount of Series A Junior Subordinated Notes, unless in the case of an event described in clause (i) such distribution is determined by the Administrative Trustees not to be practical, in which event such holders will be entitled to receive, out of the assets of the Trust available for distribution to holders after satisfaction of liabilities to creditors, an amount equal to the aggregate of the stated liquidation preference of $25 per Trust Security plus accrued and unpaid distributions thereon to the date of payment (such amount being the "Liquidation Distribution"). If such Liquidation Distribution can be paid only in part because the Trust has insufficient assets available to pay in full the aggregate Liquidation Distribution, then subject to the next succeeding sentence, the amounts payable directly by the Trust on the Trust Securities shall be paid on a pro rata basis. The holder of the Common Securities will be entitled to receive distributions upon any such dissolution pro rata with the holders of the Preferred Securities, except that if a Subordinated Note Indenture Event of Default has occurred and is continuing, the holders of Preferred Securities shall have a preference over the holders of Common Securities.

Events of Default

Any one of the following events constitutes an "Event of Default" under the Trust Agreement ("Trust Agreement Event of Default") with respect to the Trust Securities issued thereunder (whatever the reason for such Event of Default, and whether it shall be voluntary or involuntary or be effected by operation of law or pursuant to any judgment, decree or order of any court or any order, rule or regulation of any administrative or governmental body):

(i) the occurrence of an "Event of Default" as defined in Section 501 of the Subordinated Note Indenture ("Subordinated Note Indenture Event of Default") (see "Description of the Junior Subordinated Notes — Events of Default" in the accompanying Prospectus); or

(ii) default by the Trust in the payment of any distribution when it becomes due and payable, and the continuation of such default for a period of 30 days; or

(iii) default by the Trust in the payment of any Redemption Price of any Preferred Security or Common Security when it becomes due and payable; or

(iv) default in the performance, or breach, of any covenant or warranty of the Securities Trustees in the Trust Agreement (other than a covenant or warranty a default in the performance of which or the breach of which is dealt with in clause (ii) or (iii) above), and continuation of such default or breach for a period of 60 days after there has been given, by registered or certified mail, to such Securities Trustees by the holders of at least 10% in liquidation amount of the outstanding Preferred Securities a written notice specifying such default or breach and requiring it to be remedied and stating that such notice is a "Notice of Default" under the Trust Agreement; or

(v) the occurrence of certain events of bankruptcy or insolvency with respect to the Trust.

Within 90 days after the occurrence of any Trust Agreement Event of Default, the Property Trustee shall transmit notice of any default known to the Property Trustee to the holders of Trust Securities and the Company, unless such Trust Agreement Event of Default shall have been cured or waived.

If a Trust Agreement Event of Default occurs and is continuing, then, pursuant to the Trust Agreement, holders of a majority in aggregate liquidation amount of Preferred Securities have the right to direct the exercise of any trust or power conferred upon the Property Trustee under the Trust Agreement, including the right to direct the Property Trustee under the Trust Agreement to exercise the remedies available to it as holder of the Series A Junior Subordinated Notes. If the Property Trustee fails to enforce its rights under the Series A Junior Subordinated Notes, a holder of Preferred Securities may, to the fullest extent permitted by applicable law, institute a legal proceeding directly against the Company to enforce its rights under the Trust Agreement without first instituting any legal proceeding against the Property Trustee or the Trust. Notwithstanding the foregoing, a holder of Preferred Securities may institute a legal proceeding directly against the Company, without first instituting a legal proceeding against the Property Trustee or any other person or entity, for enforcement of payment to such holder of principal of or interest on the Series A Junior Subordinated Notes having a principal amount equal to the aggregate stated liquidation amount of the Preferred Securities of such holder on or after the due dates specified in the Series A Junior Subordinated Notes. See "Relationship Among the Preferred Securities, the Series A Junior Subordinated Notes and the Guarantee" herein and "Description of the Guarantees — Events of Default" in the accompanying Prospectus.

Unless a Subordinated Note Indenture Event of Default shall have occurred and be continuing, the Securities Trustees may be removed at any time by act of the holder of the Common Securities. If a Subordinated Note Indenture Event of Default has occurred and is continuing, any Securities Trustee may be removed at such time by act of the holders of a majority in liquidation amount of the Preferred Securities, delivered to the appropriate Securities Trustee (in its individual capacity and on behalf of the Trust). No resignation or removal of any Securities Trustee and no appointment of a successor shall be effective until the acceptance of appointment by the successor Trustee in accordance with the requirements of the Trust Agreement.

If a Subordinated Note Indenture Event of Default has occurred and is continuing, the holders of Preferred Securities shall have a preference over the holders of Common Securities upon dissolution of the Trust as described above. See "— Liquidation Distribution Upon Dissolution."

Voting Rights

Except as provided below and under "Description of the Guarantees — Amendments and Assignment" in the accompanying Prospectus and as otherwise required by law and the Trust Agreement, the holders of the Preferred Securities will have no voting rights.

If any proposed amendment to the Trust Agreement provides for, or the Securities Trustees otherwise propose to effect, (i) any action that would adversely affect the powers, preferences or special rights of the Preferred Securities, whether by way of amendment to the Trust Agreement or otherwise, or (ii) the dissolution, winding-up or termination of the Trust, other than pursuant to the Trust Agreement, then the holders of outstanding Preferred Securities will be entitled to vote as a class on such amendment or proposal of the Securities Trustees, and such amendment or proposal shall not be effective except with the approval of the holders of at least 66⅔% in liquidation amount of such outstanding Preferred Securities.

So long as any Series A Junior Subordinated Notes are held by the Property Trustee, the Securities Trustees shall not (i) direct the time, method and place of conducting any proceeding for any remedy available to the Indenture Trustee (as defined herein), or executing any trust or power conferred on the Indenture Trustee with respect to the Series A Junior Subordinated Notes, (ii) waive any past default which is waivable under Section 513 of the Subordinated Note Indenture, (iii) exercise any right to rescind or annul a declaration that the principal of all the Series A Junior Subordinated Notes shall be due and payable, or (iv) consent to any amendment, modification or termination of the Subordinated Note Indenture or the Series A Junior Subordinated Notes, where such consent shall be required, or to any other action, as the

holder of the Series A Junior Subordinated Notes, under the Subordinated Note Indenture, without, in each case, obtaining the prior approval of the holders of at least 66⅔% in liquidation amount of the outstanding Preferred Securities; *provided, however*, that where a consent under the Subordinated Note Indenture would require the consent of each holder of Series A Junior Subordinated Notes affected thereby, no such consent shall be given by the Securities Trustees without the prior consent of each holder of Preferred Securities. The Securities Trustees shall not revoke any action previously authorized or approved by a vote of the holders of the Preferred Securities, except pursuant to a subsequent vote of such holders. The Property Trustee shall notify all holders of the Preferred Securities of any notice of default received from the Indenture Trustee with respect to the Series A Junior Subordinated Notes. In addition to obtaining the foregoing approvals of the holders of the Preferred Securities, prior to taking any of the foregoing actions, the Securities Trustees shall obtain an opinion of counsel experienced in such matters to the effect that the Trust will not be classified as other than a grantor trust for federal income tax purposes on account of such action.

Any required approval of holders of Preferred Securities may be given at a separate meeting of holders of Preferred Securities convened for such purpose or pursuant to written consent. The Administrative Trustees will cause a notice of any meeting at which holders of Preferred Securities are entitled to vote to be given to each holder of record of Preferred Securities in the manner set forth in the Trust Agreement.

Notwithstanding that holders of Preferred Securities are entitled to vote or consent under any of the circumstances described above, any of the Preferred Securities that are owned by the Company, the Securities Trustees or any affiliate of the Company or any Securities Trustee, shall, for purposes of such vote or consent, be treated as if they were not outstanding.

Co-Property Trustees and Separate Property Trustee

At any time or times, for the purpose of meeting the legal requirements of the 1939 Act or of any jurisdiction in which any part of the Trust Property (as defined in the Trust Agreement) may at the time be located, the holder of the Common Securities and the Property Trustee shall have power to appoint, and upon the written request of the Property Trustee, the Company, as Depositor, shall for such purpose join with the Property Trustee in the execution, delivery and performance of all instruments and agreements necessary or proper to appoint, one or more persons approved by the Property Trustee either to act as co-property trustee, jointly with the Property Trustee, of all or any part of such Trust Property, or to act as separate trustee of any such property, in either case with such powers as may be provided in the instrument of appointment, and to vest in such person or persons in such capacity, any property, title, right or power deemed necessary or desirable, subject to the provisions of the Trust Agreement. If the Company, as Depositor, does not join in such appointment within 15 days after the receipt by it of a request so to do, or in case a Subordinated Note Indenture Event of Default has occurred and is continuing, the Property Trustee alone shall have power to make such appointment.

Amendment of the Trust Agreement

The Trust Agreement may be amended from time to time by the Company and the Securities Trustees without the consent of the holders of the Trust Securities (i) to cure any ambiguity, correct or supplement any provision therein which may be inconsistent with any other provision therein, or to make any other provisions with respect to matters or questions arising under the Trust Agreement, which shall not be inconsistent with the other provisions of the Trust Agreement, *provided* that the amendment does not adversely affect in any material respect the interests of any holder of Trust Securities, or (ii) to modify, eliminate or add to any provisions of the Trust Agreement to such extent as shall be necessary to ensure that the Trust will not be classified as other than a grantor trust for federal income tax purposes. Except as provided in the succeeding paragraph, other amendments to the Trust Agreement may be made (i) upon approval of the holders of not less than 66⅔% in aggregate liquidation amount of the Trust Securities then outstanding and (ii) upon receipt by the Securities Trustees of an opinion of counsel to the effect that such amendment will not affect the Trust's status as a grantor trust or the Trust's exemption from the 1940 Act.

Notwithstanding the foregoing, without the consent of each affected holder of Trust Securities, the Trust Agreement may not be amended to (i) change the amount or timing of any distribution on the Trust Securities or otherwise adversely affect the amount of any distribution required to be made in respect of the Trust Securities as of a specified date, (ii) restrict the right of a holder of Trust Securities to institute suit for the enforcement of any such payment on or after such date, or (iii) change the consent required to amend the Trust Agreement.

Mergers, Consolidations or Amalgamations

The Trust may not consolidate, amalgamate, merge with or into, or be replaced by, or convey, transfer or lease its properties and assets substantially as an entirety to any corporation or other body, except as described below. The Trust may at the request of the Company, with the consent of the Administrative Trustees and without the consent of the holders of the Trust Securities, consolidate, amalgamate, merge with or into, or be replaced by a trust organized as such under the laws of any state; *provided*, that (i) such successor entity either (x) expressly assumes all of the obligations of the Trust with respect to the Trust Securities or (y) substitutes for the Preferred Securities other securities having substantially the same terms as the Trust Securities (the "Successor Securities") so long as the Successor Securities rank the same as the Trust Securities rank in priority with respect to distributions and payments upon liquidation, redemption and otherwise, (ii) the Company expressly appoints a trustee of such successor entity possessing the same powers and duties as the Property Trustee as the holder of the Junior Subordinated Notes, (iii) the Preferred Securities or any Successor Securities are listed, or any Successor Securities will be listed upon notification of issuance, on any national securities exchange or other organization on which the Preferred Securities are then listed, (iv) such merger, consolidation, amalgamation or replacement does not cause the Preferred Securities (including any Successor Securities) to be downgraded by any nationally recognized statistical rating organization, (v) such merger, consolidation, amalgamation or replacement does not adversely affect the rights, preferences and privileges of the holders of the Trust Securities (including any Successor Securities) in any material respect, (vi) such successor entity has a purpose substantially identical to that of the Trust, (vii) prior to such merger, consolidation, amalgamation or replacement, the Company has received an opinion of counsel to the effect that (A) such merger, consolidation, amalgamation or replacement does not adversely affect the rights, preferences and privileges of the holders of the Trust Securities (including any Successor Securities) in any material respect, and (B) following such merger, consolidation, amalgamation or replacement, neither the Trust nor such successor entity will be required to register as an investment company under the 1940 Act, and (viii) the Company guarantees the obligations of such successor entity under the Successor Securities at least to the extent provided by the Guarantee. Notwithstanding the foregoing, the Trust shall not, except with the consent of holders of 100% in liquidation amount of the Trust Securities, consolidate, amalgamate, merge with or into, or be replaced by any other entity or permit any other entity to consolidate, amalgamate, merge with or into, or replace it if such consolidation, amalgamation, merger or replacement would cause the Trust or the successor entity to be classified as other than a grantor trust for federal income tax purposes.

Any corporation or other body into which any of the Property Trustee, the Delaware Trustee or any Administrative Trustee that is not a natural person may be merged or converted or with which it may be consolidated, or any corporation or other body resulting from any merger, conversion or consolidation to which any such Securities Trustee shall be a party, or any corporation or other body succeeding to all or substantially all the corporate trust business of any such Securities Trustee, shall be the successor of such Securities Trustee under the Trust Agreement, *provided* such corporation is otherwise qualified and eligible under the Trust Agreement.

Payment and Paying Agent

So long as DTC is acting as securities depositary for the Preferred Securities, payments in respect of the Preferred Securities shall be made to DTC, which is to credit the relevant accounts at DTC on the applicable Distribution Dates. If the Preferred Securities are not held by DTC, such payments shall be made by check mailed to the address of the holder entitled thereto as such address shall appear on the Securities Register (as

such term is defined in the Trust Agreement). The Paying Agent shall initially be the Property Trustee. The Paying Agent shall be permitted to resign as Paying Agent upon 30 days' written notice to the Administrative Trustees and the Company. In such event, the Administrative Trustees shall appoint a successor to act as Paying Agent.

Registrar and Transfer Agent

It is anticipated that the Property Trustee, or one of its affiliates, will act as registrar and transfer agent (the "Securities Registrar") for the Preferred Securities.

Registration of transfers of Preferred Securities will be effected without charge by or on behalf of the Trust, but upon payment in respect of any tax or other governmental charges which may be imposed in relation to it.

The Securities Registrar will not be required to register or cause to be registered any transfer of Preferred Securities after they have been called for redemption.

Information Concerning the Property Trustee

The Property Trustee, prior to the occurrence of a Trust Agreement Event of Default with respect to the Trust Securities, undertakes to perform only such duties as are specifically set forth in the Trust Agreement and, after default, shall exercise the same degree of care as a prudent individual would exercise in the conduct of his or her own affairs. Subject to such provisions, the Property Trustee is under no obligation to exercise any of the powers vested in it by the Trust Agreement at the request of any holder of Preferred Securities, unless offered reasonable indemnity by such holder against the costs, expenses and liabilities which might be incurred thereby.

The Chase Manhattan Bank, the Property Trustee, also serves as Indenture Trustee and Guarantee Trustee. The Company and certain of its affiliates maintain deposit accounts and banking relationships with The Chase Manhattan Bank. The Chase Manhattan Bank serves as trustee under other indentures pursuant to which securities of the Company and affiliates of the Company are outstanding.

Governing Law

The Trust Agreement and the Trust Securities will be governed by, and construed in accordance with, the internal laws of the State of Delaware; provided that the immunities and standard of care of the Property Trustee shall be governed by New York law.

Miscellaneous

The Administrative Trustees are authorized and directed to operate the Trust so that the Trust will not be deemed to be an "investment company" required to be registered under the 1940 Act or taxed as other than a grantor trust for federal income tax purposes and so that the Series A Junior Subordinated Notes will be treated as indebtedness of the Company for federal income tax purposes. In this connection, the Administrative Trustees and the Company are authorized to take any action, not inconsistent with applicable law, the Trust's certificate of trust or the Trust Agreement, that the Administrative Trustees and the Company determine in their discretion to be necessary or desirable for such purposes, as long as such action does not materially and adversely affect the interests of the holders of the Preferred Securities.

DESCRIPTION OF THE SERIES A JUNIOR SUBORDINATED NOTES

Set forth below is a description of the specific terms of the Series A Junior Subordinated Notes. This description supplements, and should be read together with, the description of the general terms and provisions of the Junior Subordinated Notes set forth in the accompanying Prospectus under the caption "Description of the Junior Subordinated Notes." The following description does not purport to be complete and is subject to,

and is qualified in its entirety by reference to, the description in the accompanying Prospectus and the Subordinated Note Indenture (as defined therein).

General

The Series A Junior Subordinated Notes will be issued as a series of Junior Subordinated Notes under the Subordinated Note Indenture. The Series A Junior Subordinated Notes will be limited in aggregate principal amount to $41,237,125, such amount being the approximate aggregate liquidation amount of the Trust Securities.

The entire principal amount of the Series A Junior Subordinated Notes will mature and become due and payable, together with any accrued and unpaid interest thereon, including Additional Interest, if any, on December 31, 2036. The Series A Junior Subordinated Notes are not subject to any sinking fund provision.

The terms of the Series A Junior Subordinated Notes correspond to those of the Preferred Securities, as described herein.

Optional Redemption

The Company shall have the right to redeem the Series A Junior Subordinated Notes, in whole or in part, without premium, from time to time, on or after January 31, 2002, or at any time in whole upon the occurrence of a Special Event as described under "Description of the Preferred Securities — Special Event Redemption or Distribution," upon not less than 30 nor more than 60 days' notice, at a Redemption Price equal to 100% of the principal amount to be redeemed plus any accrued and unpaid interest, including Additional Interest, if any, to the Redemption Date. If a partial redemption of the Series A Junior Subordinated Notes would result in the delisting of the Preferred Securities, the Company may only redeem the Series A Junior Subordinated Notes in whole.

Interest

Each Series A Junior Subordinated Note shall bear interest at the Securities Rate from the Issue Date, payable quarterly in arrears on March 31, June 30, September 30 and December 31 of each year to the person in whose name such Series A Junior Subordinated Note is registered at the close of business on the fifteenth calendar day prior to such payment date. The amount of interest payable will be computed on the basis of a 360-day year of twelve 30-day months. In the event that any date on which interest is payable on the Series A Junior Subordinated Notes is not a Business Day, then payment of the interest payable on such date will be made on the next succeeding day which is a Business Day (and without any interest or other payment in respect of any such delay), except that, if such Business Day is in the next succeeding calendar year, such payment shall be made on the immediately preceding Business Day, in each case with the same force and effect as if made on such date.

Option to Extend Interest Payment Period

The Company shall have the right at any time, and from time to time, to defer payments of interest on the Series A Junior Subordinated Notes by extending the interest payment period for up to 20 consecutive quarters, but not beyond the stated maturity date. At the end of an Extension Period, the Company shall pay all interest then accrued and unpaid (including any Additional Interest) (together with interest thereon at the Securities Rate compounded quarterly); *provided*, that if the Company shall have given notice of its election to select an Extension Period, (a) the Company shall not declare or pay any dividend or distribution on, or redeem, purchase, acquire or make a liquidation payment with respect to, any of its capital stock or make any guarantee payments with respect to the foregoing, and (b) the Company shall not make any payment of interest, principal or premium, if any, on or repay, repurchase or redeem any debt securities (including guarantees other than the Guarantee) issued by the Company which rank *pari passu* with or junior to the Series A Junior Subordinated Notes. Prior to the termination of any Extension Period, the Company may further defer payments of interest by extending the interest payment period, *provided* that such Extension Period, together with all such previous and further extensions thereof, may not exceed 20 consecutive quarters.

Upon the termination of any Extension Period and the payment of all amounts then due, the Company may select a new Extension Period, subject to the above requirements. The Company has no present intention of exercising its rights to defer payments of interest by extending the interest payment period on the Series A Junior Subordinated Notes. See "Certain Federal Income Tax Considerations — Original Issue Discount."

The Company shall give the holder or holders of the Series A Junior Subordinated Notes and the Indenture Trustee notice of its selection or extension of an Extension Period at least one Business Day prior to the earlier of (i) the record date relating to the interest payment date on which the Extension Period is to commence or relating to the interest payment date on which an Extension Period that is being extended would otherwise terminate or (ii) the date the Company or the Trust is required to give notice to the NYSE or other applicable self-regulatory organization of the record date or the date such distributions are payable.

Book-Entry and Issuance

If distributed to holders of Trust Securities in connection with the voluntary or involuntary dissolution, winding-up or liquidation of the Trust, the Series A Junior Subordinated Notes are expected to be issued in the form of one or more global certificates registered in the name of the securities depositary or its nominee. In such event, the procedures applicable to the transfer and payment of the Series A Junior Subordinated Notes are expected to be substantially similar to those described with respect to the Preferred Securities in "Description of the Preferred Securities — Book-Entry Only Issuance — The Depository Trust Company."

RELATIONSHIP AMONG THE PREFERRED SECURITIES, THE SERIES A JUNIOR SUBORDINATED NOTES AND THE GUARANTEE

As long as payments of interest and other payments are made when due on the Series A Junior Subordinated Notes, such payments will be sufficient to cover distributions and payments due on the Trust Securities primarily because (i) the aggregate principal amount of Series A Junior Subordinated Notes will be equal to the sum of the aggregate stated liquidation amount of the Trust Securities; (ii) the interest rate and interest and other payment dates on the Series A Junior Subordinated Notes will match the distribution rate and distribution and other payment dates for the Preferred Securities; (iii) the Company shall pay for all costs and expenses of the Trust pursuant to the Agreement as to Expenses and Liabilities; and (iv) the Trust Agreement provides that the Securities Trustees shall not cause or permit the Trust to, among other things, engage in any activity that is not consistent with the purposes of the Trust.

Payments of distributions (to the extent funds therefor are legally and immediately available) and other payments due on the Preferred Securities (to the extent funds therefor are legally and immediately available) are guaranteed by the Company as and to the extent set forth under "Description of the Guarantees" in the accompanying Prospectus. If the Company does not make interest payments on the Series A Junior Subordinated Notes, it is not expected that the Trust will have sufficient funds to pay distributions on the Preferred Securities. The Guarantee is a guarantee from the time of its issuance, but does not apply to any payment of distributions unless and until the Trust has sufficient funds legally and immediately available for the payment of such distributions.

If the Company fails to make interest or other payments on the Series A Junior Subordinated Notes when due (taking into account any Extension Period), the Trust Agreement provides a mechanism whereby the holders of the Preferred Securities may appoint a substitute Property Trustee. Such holders may also direct the Property Trustee to enforce its rights under the Series A Junior Subordinated Notes, including proceeding directly against the Company to enforce the Series A Junior Subordinated Notes. If the Property Trustee fails to enforce its rights under the Series A Junior Subordinated Notes, to the fullest extent permitted by applicable law, any holder of Preferred Securities may institute a legal proceeding directly against the Company to enforce the Property Trustee's rights under the Series A Junior Subordinated Notes without first instituting any legal proceeding against the Property Trustee or any other person or entity. Notwithstanding the foregoing, a holder of Preferred Securities may institute a legal proceeding directly against the Company, without first instituting a legal proceeding against the Property Trustee or any other person or entity, for enforcement of payment to such holder of principal of or interest on the Series A Junior Subordinated Notes

having a principal amount equal to the aggregate stated liquidation amount of the Preferred Securities of such holder on or after the due dates specified in the Series A Junior Subordinated Notes.

If the Company fails to make payments under the Guarantee, the Guarantee provides a mechanism whereby the holders of the Preferred Securities may direct the Guarantee Trustee to enforce its rights thereunder. In addition, any holder of Preferred Securities may institute a legal proceeding directly against the Company to enforce the Guarantee Trustee's rights under the Guarantee without first instituting a legal proceeding against the Guarantee Trustee or any other person or entity.

The Guarantee, the Subordinated Note Indenture, the Series A Junior Subordinated Notes, the Trust Agreement and the Agreement as to Expenses and Liabilities, as described above, constitute a full and unconditional guarantee by the Company of the payments due on the Preferred Securities.

Upon any voluntary or involuntary dissolution, winding-up or termination of the Trust, unless the Series A Junior Subordinated Notes are distributed in connection therewith, the holders of Preferred Securities will be entitled to receive, out of assets legally available for distribution to holders, the Liquidation Distribution in cash. See "Description of the Preferred Securities — Liquidation Distribution Upon Dissolution." Upon any voluntary or involuntary liquidation or bankruptcy of the Company, the Property Trustee, as holder of the Series A Junior Subordinated Notes, would be a subordinated creditor of the Company, subordinated in right of payment to all Senior Indebtedness, but entitled to receive payment in full of principal and interest, before any stockholders of the Company receive payments or distributions. Because the Company is guarantor under the Guarantee and has agreed to pay for all costs, expenses and liabilities of the Trust (other than the Trust's obligations to holders of the Preferred Securities) pursuant to the Agreement as to Expenses and Liabilities, the positions of a holder of Preferred Securities and a holder of Series A Junior Subordinated Notes relative to other creditors and to stockholders of the Company in the event of liquidation or bankruptcy of the Company would be substantially the same.

A default or event of default under any Senior Indebtedness would not constitute a default or Event of Default under the Subordinated Note Indenture. However, in the event of payment defaults under, or acceleration of, Senior Indebtedness, the subordination provisions of the Series A Junior Subordinated Notes provide that no payments may be made in respect of the Series A Junior Subordinated Notes until such Senior Indebtedness has been paid in full or any payment default thereunder has been cured or waived. Failure to make required payments on the Series A Junior Subordinated Notes would constitute an Event of Default under the Subordinated Note Indenture except that failure to make interest payments on the Series A Junior Subordinated Notes will not be an Event of Default during an Extension Period; provided, however, that any Extension Period may not exceed 20 consecutive quarters or extend beyond the stated maturity of the Series A Junior Subordinated Notes.

CERTAIN FEDERAL INCOME TAX CONSIDERATIONS

The following is a summary of certain material United States federal income tax consequences of the ownership and disposition of the Preferred Securities and constitutes the opinion of Troutman Sanders LLP, counsel to the Company and the Trust, insofar as it relates to matters of law and legal conclusions. This summary deals only with Preferred Securities held as capital assets within the meaning of Section 1221 of the Internal Revenue Code of 1986, as amended to the date hereof (the "Code"), by Holders (as defined herein). Moreover, it does not discuss all of the tax consequences that may be relevant to a Holder in light of his particular circumstances or to Holders subject to special rules, such as certain financial institutions, insurance companies, dealers in securities, individual retirement and certain tax deferred accounts, and persons who engage in a straddle or a hedge relating to a Preferred Security. Prospective investors should consult their own tax advisors with regard to the application of the tax considerations discussed below to their particular situations as well as the application of any state, local or other tax laws. This summary is based on laws, existing and proposed regulations, and applicable judicial and administrative determinations, all of which are subject to change at any time, and any such changes may be retroactively applied in a manner that could adversely affect Holders. As used herein, the term "Holder" means a beneficial owner of a Preferred Security that for United States federal income tax purposes is (i) a citizen or resident of the United States, (ii) a

corporation, partnership or other entity created or organized in or under the laws of the United States or of any political subdivision thereof, or (iii) an estate or trust the income of which is subject to United States federal income taxation regardless of its source. Thus, the following summary does not address any tax consequences that apply specifically to nonresident aliens or foreign entities

Treatment of the Trust and Preferred Securities for Federal Income Tax Purposes

The Trust will be treated as a "grantor trust" and not as an association taxable as a corporation for federal income tax purposes. Thus, for federal income tax purposes, each Holder will be treated as the beneficial owner of a pro rata undivided interest in the Series A Junior Subordinated Notes and, consequently, will be required to include in income the Holder's pro rata share of the entire income from the Series A Junior Subordinated Notes. Each Holder generally will determine its net income or loss with respect to the Trust in accordance with its own method of accounting, although income arising from OID, if any, must be taken into account under the accrual method of accounting even if the Holder otherwise would use the cash receipts and disbursements method.

Payments of Interest

Except as set forth below, stated interest on a Series A Junior Subordinated Note will generally be taxable to a Holder as ordinary income at the time it is paid or accrued in accordance with the Holder's own method of accounting.

Original Issue Discount

Under income tax regulations that recently became effective, the Company believes that the Series A Junior Subordinated Notes will not be treated as issued with OID. It should be noted that these regulations have not yet been addressed in any rulings or other interpretations by the Internal Revenue Service (the "IRS"). Accordingly, it is possible that the IRS could take a position contrary to the interpretations described herein.

The terms of the Series A Junior Subordinated Notes permit the Company to defer the payment of interest on the Series A Junior Subordinated Notes at any time and from time to time by extending the interest payment period for up to 20 consecutive quarters with respect to each Extension Period; provided, however, that no Extension Period may extend beyond the stated maturity date of the Series A Junior Subordinated Notes. Should the Company exercise this option to defer payments of interest, the Series A Junior Subordinated Notes would at that time be treated as issued with OID and all the stated interest payments on the Series A Junior Subordinated Notes would thereafter be treated as OID for so long as they remained outstanding. As a result, all Holders would, in effect, be required to accrue interest income even if such Holders are on a cash method of accounting. Consequently, in the event that the payment of interest is deferred, a Holder could be required to include OID in income on an economic accrual basis, notwithstanding that the Company will not make any interest payments during such period on the Series A Junior Subordinated Notes.

Market Discount

A purchaser of a Preferred Security at a discount from the liquidation amount at maturity of such purchaser's pro rata share of the Series A Junior Subordinated Notes acquires such Preferred Security with "market discount." However, market discount with respect to a Preferred Security will be considered to be zero if it is de minimis. Market discount will be de minimis with respect to a Preferred Security if it is less than the product of (i) 0.25% of the adjusted issue price of the purchaser's pro rata share of the Series A Junior Subordinated Notes multiplied by (ii) the number of complete years to maturity of such Series A Junior Subordinated Notes after the date of purchase. The purchaser of a Preferred Security with more than a de minimis amount of market discount generally will be required to treat any gain on the sale, exchange, redemption or other disposition of all or part of the Preferred Securities (or related Series A Junior Subordinated Notes) as ordinary income to the extent of accrued (but not previously taxed) market discount

Market discount generally will accrue ratably during the period from the date of purchase of such Preferred Security to the maturity date of the Series A Junior Subordinated Notes, unless the Holder irrevocably elects to accrue such market discount on the basis of a constant interest rate

A Holder who has acquired a Preferred Security at a market discount generally will be required to defer any deductions of interest expense attributable to any indebtedness incurred or continued to purchase or carry the Preferred Security, to the extent such interest expense exceeds the related interest income. Any such deferred interest expense generally will be allowable as a deduction not later than the year in which the related market discount income is recognized. As an alternative to the inclusion of market discount in income upon disposition of all or a portion of a Preferred Security or the related Series A Junior Subordinated Notes (including redemptions thereof), a Holder may make an election (which may not be revoked without the Internal Revenue Service's consent) to include market discount in income as it accrues on all market discount instruments acquired by the Holder during or after the taxable year for which the election is made. In that case, the preceding deferral rule for interest expense will not apply.

In lieu of the foregoing treatment of market discount and interest expense, a Holder may elect to treat any market discount (including a de minimis amount) as OID and accrue such discount on a constant-yield basis in the same manner as the Holder accrues OID.

Sale of Preferred Securities

Upon the sale, retirement (including redemption) or other taxable disposition of all or part of a Preferred Security, a Holder thereof will recognize gain or loss equal to the difference between the amount realized on such sale, retirement or other disposition and such Holder's adjusted tax basis in the Preferred Security or part thereof. If the Holder disposes of a Preferred Security prior to the occurrence of an Extension Period, any portion of the amount received that is attributable to accrued interest will be treated as interest income to the Holder and will not be treated as part of the amount realized for purposes of determining gain or loss on the disposition of the Preferred Security. Any recognized gain or loss will be capital gain or loss, except to the extent of any accrued market discount (see "Market Discount" above), and such capital gain or loss will be long-term if the holding period for the Preferred Security is more than one year at the time of sale, retirement or other disposition. A Holder's adjusted tax basis in a Preferred Security acquired by purchase will equal the cost of such Preferred Security to the Holder, increased by the amount of any related accrued OID and market discount included in taxable income by the Holder and reduced by any prior payments on the Series A Junior Subordinated Notes distributed on the Preferred Security. The redemption of only part of a Preferred Security will require an allocation of the Holder's adjusted tax basis in his pro rata share of the related Series A Junior Subordinated Notes between the portion of the Series A Junior Subordinated Notes redeemed and retained by the Holder in order to determine gain or loss.

Receipt of Series A Junior Subordinated Notes Upon Liquidation of the Trust

As described under "Description of the Preferred Securities — Special Event Redemption; Distribution of Series A Junior Subordinated Notes," Series A Junior Subordinated Notes may be distributed to Holders in exchange for the Preferred Securities and in liquidation of the Trust. Such a distribution would be treated as a non-taxable event to each Holder and each Holder would receive an aggregate tax basis in the Holder's Series A Junior Subordinated Notes equal to the Holder's aggregate tax basis in its Preferred Securities. A Holder's holding period with respect to the Series A Junior Subordinated Notes so received in liquidation of the Trust would include the period for which the Preferred Securities were held by such Holder

Information Reporting to Holders

Income on the Preferred Securities will be reported to Holders on Form 1099, which form should be mailed to Holders of Preferred Securities by January 31 following each calendar year.

Backup Withholding

. Holder may be subject to "backup withholding" under certain circumstances. Backup withholding applies to a Holder if the Holder, among other things, (i) fails to furnish his social security number or other taxpayer identification number ("TIN") to the payor responsible for backup withholding (for example, the Holder's securities broker), (ii) furnishes such payor an incorrect TIN, (iii) fails to provide such payor with a

certified statement, signed under penalties of perjury, that the TIN provided to the payor is correct and th the Holder is not subject to backup withholding, or (iv) fails to report properly interest and dividends on his tax return. Backup withholding, however, does not apply to payments made to certain exempt recipients, such as corporations and tax-exempt organizations. The backup withholding rate is 31% of "reportable payments," which generally will include distributions of interest and principal payments on the Series A Junior Subordinated Notes.

Possible Tax Law Changes

On March 19, 1996, the Revenue Reconciliation Bill of 1996 (the "Bill"), the revenue portion of President Clinton's 1996 budget proposal, was released. The Bill would, among other things, generally deny interest deductions for interest on an instrument, issued by a corporation, that has a maximum term of more than 20 years and that is not shown as indebtedness on the separate balance sheet of the issuer or, where the instrument is issued to a related party (other than a corporation), where the holder or some other related party issues a related instrument that is not shown as indebtedness on the issuer's consolidated balance sheet. The above-described provisions of the Bill were proposed to be effective generally for instruments issued on or after December 7, 1995. If such provisions were to apply to the Series A Junior Subordinated Notes, the Company would be unable to deduct interest on the Series A Junior Subordinated Notes. However, on March 29, 1996, the Chairmen of the Senate Finance and House Ways and Means Committees issued a joint statement to the effect that it was their intention that the effective date of the President's legislative proposals, if adopted, will be no earlier than the date of appropriate Congressional action. The Company believes that, under current law, it will be able to deduct interest on the Series A Junior Subordinated Notes. There can be no assurance, however, that current or future legislative proposals or final legislation will not affect the ability of the Company to deduct interest on the Series A Junior Subordinated Notes. Such a change could give rise to a Tax Event, which would permit the Company to cause a redemption of the Preferred Securities, as described more fully under "Description of the Preferred Securities — Special Event Redemption, Distribution of Series A Junior Subordinated Notes."

THE FEDERAL INCOME TAX DISCUSSION SET FORTH ABOVE MAY NOT BE APPLICABLE TO A HOLDER, DEPENDING UPON A HOLDER'S PARTICULAR SITUATION, AND THEREFORE EACH HOLDER SHOULD CONSULT HIS TAX ADVISOR WITH RESPECT TO THE TAX CONSEQUENCES OF THE OWNERSHIP AND DISPOSITION OF PREFERRED SECURITIES, INCLUDING THE TAX CONSEQUENCES UNDER STATE, LOCAL, FOREIGN AND OTHER TAX LAWS AND THE POSSIBLE EFFECTS OF CHANGES IN FEDERAL OR OTHER TAX LAW.

UNDERWRITING

Subject to the terms and conditions of the Underwriting Agreement, the Company and the Trust have agreed that the Trust will sell to each of the Underwriters named below (for whom Goldman, Sachs & Co., Dean Witter Reynolds Inc., A.G. Edwards & Sons, Inc., The Robinson-Humphrey Company, Inc. and Smith Barney Inc. are acting as Representatives) and each of the Underwriters has severally agreed to purchase from the Trust the respective number of Preferred Securities set forth opposite its name below:

Name	Number of Preferred Securities
Goldman, Sachs & Co.	234,000
Dean Witter Reynolds Inc.	234,000
A. G. Edwards & Sons, Inc.	234,000
The Robinson-Humphrey Company, Inc.	234,000
Smith Barney Inc.	234,000
Bear, Stearns & Co. Inc.	20,000
J.C. Bradford & Co.	20,000
Alex. Brown & Sons Incorporated	20,000
Donaldson, Lufkin & Jenrette Securities Corporation	20,000
EVEREN Securities, Inc.	20,000
Interstate/Johnson Lane Corporation	20,000
Legg Mason Wood Walker, Incorporated	20,000
Morgan Keegan & Company, Inc.	20,000
Oppenheimer & Co., Inc.	20,000
Prudential Securities Incorporated	20,000
Raymond James & Associates, Inc.	20,000
Wheat, First Securities, Inc.	20,000
Advest, Inc.	10,000
Blaylock & Partners, L.P.	10,000
Cowen & Company	10,000
Dain Bosworth Incorporated	10,000
Fahnestock & Co. Inc.	10,000
McDonald & Company Securities, Inc.	10,000
McGinn, Smith & Co., Inc	10,000
The Ohio Company	10,000
Olde Discount Corporation	10,000
Piper Jaffray Inc.	10,000
Principal Financial Securities, Inc.	10,000
Rauscher Pierce Refsnes, Inc.	10,000
Roney & Co., LLC	10,000
Muriel Siebert & Co., Inc.	10,000
Stephens Inc.	10,000
Sutro & Co. Incorporated	10,000
Trilon International Inc.	10,000
Tucker Anthony Incorporated	10,000
U.S. Clearing Corp.	10,000
Total	1,600,000

In the Underwriting Agreement, the Underwriters have agreed, subject to the terms and conditions set forth therein, to purchase all of the Preferred Securities offered hereby if any of the Preferred Securities are purchased.

The Underwriters propose to offer the Preferred Securities in part directly to the public at the initial public offering price set forth on the cover page of this Prospectus Supplement, and in part to certain securities dealers at such price less a concession not in excess of $0.50 per Preferred Security, except that such concession will be $0.30 per Preferred Security sold to certain institutions. The Underwriters may allow, and such dealers may reallow, a concession not in excess of $0.35 per Preferred Security to certain brokers and

dealers. After the Preferred Securities are released for sale to the public, the offering price and other selling terms may from time to time be varied by the Representatives

In view of the fact that the proceeds from the sale of the Preferred Securities will be used to purchase the Series A Junior Subordinated Notes issued by the Company, the Underwriting Agreement provides that the Company will pay as Underwriters' Compensation for the Underwriters arranging the investment therein of such proceeds an amount of $0.7875 per Preferred Security for the accounts of the several Underwriters, provided, that such compensation will be $0.50 per Preferred Security sold to certain institutions.

The Company and the Trust have agreed, during the period of 15 days from the date of the Underwriting Agreement, not to sell, offer to sell, grant any option for the sale of, or otherwise dispose of any Preferred Securities, any security convertible into or exchangeable into or exercisable for Preferred Securities or the Series A Junior Subordinated Notes or any debt securities substantially similar to the Series A Junior Subordinated Notes or equity securities substantially similar to the Preferred Securities (except for the Series A Junior Subordinated Notes and the Preferred Securities issued pursuant to the Underwriting Agreement), without the prior written consent of the Representatives.

Prior to this offering, there has been no public market for the Preferred Securities. The Preferred Securities are expected to be approved for listing on the NYSE, subject to official notice of issuance. Trading of the Preferred Securities on the NYSE is expected to commence within a 30-day period after the initial delivery of the Preferred Securities. In order to meet one of the requirements for listing the Preferred Securities on the NYSE, the Underwriters will undertake to sell lots of 100 or more Preferred Securities to a minimum of 400 beneficial holders. The Representatives have advised the Company and the Trust that they intend to make a market in the Preferred Securities prior to the commencement of trading on the NYSE. The Representatives will have no obligation to make a market in the Preferred Securities, however, and may cease market making activities, if commenced, at any time.

The Company and the Trust have agreed to indemnify the Underwriters against certain liabilities, including liabilities under the 1933 Act.

Certain of the Underwriters engage in transactions with, and, from time to time, have performed services for, the Company and its affiliates in the ordinary course of business.

LEGAL OPINIONS

Certain matters of Delaware law relating to the validity of the Preferred Securities will be passed upon on behalf of the Company and the Trust by Richards, Layton & Finger, Wilmington, Delaware, special Delaware counsel to the Company and the Trust. The validity of the Series A Junior Subordinated Notes, the Guarantee and certain matters relating thereto will be passed upon on behalf of the Company by Beggs & Lane, Pensacola, Florida, and by Troutman Sanders LLP, Atlanta, Georgia. Troutman Sanders LLP will also pass upon certain matters relating to United States federal income tax considerations. Certain legal matters will be passed upon for the Underwriters by Dewey Ballantine, New York, New York.

GLOSSARY

1933 Act	The Securities Act of 1933, as amended.
1934 Act	The Securities Exchange Act of 1934, as amended.
1939 Act	The Trust Indenture Act of 1939, as amended.
1940 Act	The Investment Company Act of 1940, as amended.
Additional Interest	Amounts payable by the Company as defined under "Description of the Junior Subordinated Notes — Additional Interest" in the accompanying Prospectus.
Administrative Trustees	Linda Malone and Wayne Boston.
Agreement as to Expenses and Liabilities	The agreement between the Company and the Trust pursuant to which the Company has agreed to pay all indebtedness, expenses or liabilities of the Trust, other than the Trust's obligations to pay to the holders of the Preferred Securities the amounts due such holders pursuant to the terms thereof.
Code	The Internal Revenue Code of 1986, as amended.
Common Securities	The Trust Securities being sold to the Company.
Company	Gulf Power Company.
Delaware Trustee	Chase Manhattan Bank Delaware.
DTC	The Depository Trust Company, a "clearing corporation" that initially will hold (through its agents) a global certificate evidencing the Preferred Securities.
Distribution Dates	March 31, June 30, September 30 and December 31 of each year.
Extension Period	Any period during which interest is not paid on the Series A Junior Subordinated Notes (and, consequently, on the Preferred Securities) at the election of the Company to the extent permitted under the terms of the Series A Junior Subordinated Notes.
Guarantee	The guarantee by the Company of the payments by the Trust on the Preferred Securities from funds available in the Trust.
Guarantee Payments	Payments required to be made pursuant to the Guarantee as described in "Description of the Guarantees — General" in the accompanying Prospectus.
Guarantee Trustee	The trustee under the Guarantee; initially, The Chase Manhattan Bank.
Indenture Trustee	The trustee under the Subordinated Note Indenture; initially, The Chase Manhattan Bank.
Issue Date	The date set forth on the cover page on which the Series A Junior Subordinated Notes and Preferred Securities are scheduled to be issued.
Investment Company Act Event	An event of the type described in "Description of the Preferred Securities — Special Event Redemption; Distribution of Series A Junior Subordinated Notes."
NYSE	New York Stock Exchange.

Preferred Securities	The Trust Securities being offered to investors pursuant to this Prospectus Supplement and the accompanying Prospectus.
Property Trustee	A trustee under the Trust designated to hold the trust property; initially The Chase Manhattan Bank.
Record Date	The close of business on the 15th calendar day prior to a Distribution Date.
Redemption Price	The stated liquidation amount of $25 per Preferred Security, plus accrued and unpaid distributions thereon (and interest thereon) to the date of payment.
Securities Rate	The per annum interest rate expressed as a percentage of the stated liquidation amount of $25 per Preferred Security, and set forth on the cover page of this Prospectus Supplement.
Securities Trustees	The Property Trustee, Administrative Trustees and Delaware Trustee.
Senior Indebtedness	Indebtedness of the Company described hereunder under "Description of the Junior Subordinated Notes – Subordination" in the accompanying Prospectus.
Series A Junior Subordinated Notes	The Series A 7.625% junior subordinated deferrable interest notes of the Company due
Special Event	A Tax Event or Investment Company Act Event.
Subordinated Note Indenture	The indenture pursuant to which the Company's Series A Junior Subordinated Notes will be issued.
Subordinated Note Indenture Event of Default	As described under "Description of the Junior Subordinated Notes — Events of Default" in the accompanying Prospectus.
Tax Event	An event of the type described in "Description of the Preferred Securities — Special Event Redemption; Distribution of Series A Junior Subordinated Notes."
Trust	Gulf Power Capital Trust I, a Delaware business trust that will issue the Trust Securities.
Trust Agreement	The agreement pursuant to which the Trust is organized as it may be amended and restated from time to time.
Trust Agreement Event of Default	As described under "Description of the Preferred Securities — Events of Default."
Trust Securities	The Preferred Securities and the Common Securities.

PROSPECTUS

$60,000,000
Gulf Power Company
Junior Subordinated Notes

Gulf Power Capital Trust I
Gulf Power Capital Trust II
Trust Preferred Securities and Capital Securities
Fully and unconditionally guaranteed, as set forth herein, by
Gulf Power Company
a subsidiary of The Southern Company

Gulf Power Company, a Maine corporation (the "Company"), may offer, from time to time, its junior subordinated notes (the "Junior Subordinated Notes") in one or more series. The Junior Subordinated Notes will be unsecured obligations of the Company and will be subordinate and junior in right of payment to Senior Indebtedness (as defined herein) of the Company.

Gulf Power Capital Trust I and Gulf Power Capital Trust II, each a statutory business trust created under the laws of the State of Delaware (individually, a "Trust" and collectively, the "Trusts"), may offer, from time to time, trust preferred securities (collectively, the "Preferred Securities") and capital securities (collectively, the "Capital Securities" and, together with the Preferred Securities, the "Securities") representing preferred undivided beneficial interests in the assets of the respective Trusts. The Company will own all the common securities (the "Common Securities" and, together with the Securities, the "Trust Securities") representing common undivided beneficial interests in the assets of the respective Trusts. The payment of periodic cash distributions on the Securities of each Trust and payments on liquidation or redemption with respect to such Securities, in each case to the extent such Trust has funds legally and immediately available therefor, will be guaranteed by the Company as described herein (individually, a "Guarantee" and collectively, the "Guarantees"). See "Description of the Guarantees." The Company's obligations under each Guarantee will be subordinate and junior in right of payment to all of its other liabilities and will rank *pari passu* (equal in priority) with the most senior preferred stock of the Company. Concurrently with the issuance by a Trust of its Securities, such Trust will invest the proceeds thereof and of the Company's purchase of the Common Securities of such Trust in a related series of Junior Subordinated Notes of the Company with terms corresponding to the terms of such Trust's Securities. Junior Subordinated Notes may subsequently be distributed pro rata to holders of the Trust Securities of a Trust in connection with the termination of such Trust upon the occurrence of certain events as may be described in an accompanying Prospectus Supplement.

As described herein, the Company will, through each Guarantee, the Subordinated Note Indenture, the Junior Subordinated Notes of the related series, the related Trust Agreement and the related Agreement as to Expenses and Liabilities, fully and unconditionally guarantee all of each Trust's obligations with respect to its Securities.

Specific terms of the Junior Subordinated Notes of any series or the Securities of any Trust in respect of which this Prospectus is being delivered will be set forth in an accompanying Prospectus Supplement with respect to such securities, which will describe, without limitation and where applicable, the following: (a) in the case of Junior Subordinated Notes, the specific designation, aggregate principal amount, denominations, maturity, interest payment dates, interest rate (or the method of determining such rate), any redemption, exchange or sinking fund provisions, and any other specific terms of the offering, and (b) in the case of Securities, the specific designation, number of Securities, liquidation amount per security, distribution rate (or the method of determining such rate), dates on which distributions will be payable, voting rights, any redemption, exchange or sinking fund provisions, and any other rights, preferences, privileges, limitations and restrictions.

The Junior Subordinated Notes and Securities may be offered in amounts, at prices and on terms to be determined at the time of offering; provided, however, that the aggregate initial public offering price of all Junior Subordinated Notes and Securities shall not exceed $60,000,000.

The Prospectus Supplement relating to any series of Junior Subordinated Notes or Securities will contain information concerning certain United States federal income tax considerations, if applicable to such Junior Subordinated Notes or Securities.

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

The Junior Subordinated Notes and Securities may be sold directly, through agents, underwriters or dealers as designated from time to time, or through a combination of such methods. See "Plan of Distribution." If agents or any underwriters or dealers are involved in the sale of Junior Subordinated Notes or Securities in respect of which this Prospectus is being delivered, the names of such agents, underwriters or dealers and any applicable commissions or discounts will be set forth in or may be calculated from the Prospectus Supplement with respect to such Junior Subordinated Notes or Securities.

January 10, 1997

AVAILABLE INFORMATION

The Company and the Trusts have filed with the Securities and Exchange Commission (the "Commission") a combined registration statement on Form S-3 (the "Registration Statement," which term encompasses any amendments thereof and exhibits thereto) under the Securities Act of 1933, as amended (the "1933 Act"). As permitted by the rules and regulations of the Commission, this Prospectus does not contain all of the information set forth in the Registration Statement and the exhibits and schedules thereto, to which reference is hereby made.

The Company is subject to the informational requirements of the Securities Exchange Act of 1934, as amended (the "1934 Act"), and in accordance therewith files reports and other information with the Commission. Such reports and other information can be inspected and copied at the public reference facilities of the Commission at 450 Fifth Street, N.W., Washington, D.C. 20549, and at the Commission's Regional Offices at 500 West Madison Street, Suite 1400, Chicago, Illinois 60661 and Seven World Trade Center, 13th Floor, New York, New York 10048. Copies of such material can also be obtained at prescribed rates by writing to the Public Reference Section of the Commission at 450 Fifth Street, N.W., Washington, D.C. 20549. The Commission maintains a Web site that contains reports, proxy and information statements and other information regarding registrants including the Company that file electronically at http://www.sec.gov. In addition, reports and other material concerning the Company can be inspected at the offices of the New York Stock Exchange, 20 Broad Street, New York, New York 10005, on which Exchange certain of the Company's securities are listed.

No separate financial statements of any Trust are included herein. The Company considers that such statements would not be material to holders of the Securities because each Trust has no independent operations and exists for the sole purpose of investing the proceeds of the sale of its Trust Securities in Junior Subordinated Notes.

INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE

The following documents have been filed with the Commission pursuant to the 1934 Act and are incorporated herein by reference and made a part of this Prospectus:

(a) the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1995,

(b) the Company's Quarterly Reports on Form 10-Q for the quarters ended March 31, 1996, June 30, 1996 and September 30, 1996; and

(c) the Company's Current Reports on Form 8-K dated January 17, 1996, February 21, 1996 and November 6, 1996.

All documents filed by the Company with the Commission pursuant to Section 13(a), 13(c), 14 or 15(d) of the 1934 Act subsequent to the date of this Prospectus and prior to the termination of this offering shall be deemed to be incorporated herein by reference and made a part of this Prospectus from the date of filing of such documents. Any statement contained in a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded for purposes of this Prospectus to the extent that a statement contained herein or in any other subsequently filed document which also is or is deemed to be incorporated by reference herein modifies or supersedes such statement. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Prospectus.

The Company will provide without charge to each person to whom this Prospectus is delivered, on the written or oral request of any such person, a copy of any or all documents incorporated herein by reference (other than the exhibits to such documents unless such exhibits are specifically incorporated by reference). Such requests should be directed to Warren E. Tate, Secretary and Treasurer, Gulf Power Company, 500 Bayfront Parkway, Pensacola, Florida 32501, telephone: (904) 444-6111.

SELECTED INFORMATION

The following material, which is presented herein solely to furnish limited introductory information regarding the Company, has been selected from, or is based upon, the detailed information and financial statements appearing in the documents incorporated herein by reference or elsewhere in this Prospectus, is qualified in its entirety by reference thereto and, therefore, should be read together therewith.

Gulf Power Company

Business	Generation, transmission, distribution and sale of electric energy
Service Area	Approximately 7,400 square miles within the northwestern portion of the State of Florida
Service Area Population (1990 Census)	Approximately 740,000
Customers at December 31, 1995	325,114
Generating Capacity at December 31, 1995 (kilowatts)	2,173,900
Sources of Generation during 1995 (kilowatt-hours)	Coal (99%), Gas and Oil (1%)
Sources of Generation Estimated for 1996 (kilowatt-hours)	Coal (99%), Gas and Oil (1%)

Selected Financial Information

	Year Ended December 31,					12 Months Ended November 30,
	1991	1992	1993	1994	1995	1996(1)
	(Thousands, except ratios)					(Unaudited)
Operating Revenues	$ 565,207	$ 570,902	$ 583,142	$ 578,813	$ 619,077	$ 635,408
Income Before Interest Charges	107,854	98,422	96,088	93,407	92,693	92,361
Net Income After Dividends on Preferred Stock	57,796	54,090	54,311	55,229	57,154	56,473
Ratio of Earnings to Fixed Charges(2)	3.13	3.32	3.57	3.89	4.25	4.16
Ratio of Earnings to Fixed Charges Plus Preferred Dividend Requirements (Pre-Income Tax Basis)(3)	2.67	2.77	2.87	3.04	3.28	3.22

(Notes on following page)

	Capitalization (Unaudited) as of September 30, 1996		
	Actual	As Adjusted(4)	
	(Thousands, except percentages)		
Common Stock Equity	$446,672	$ 446,672	42.8%
Cumulative Preferred Stock	89,602	45,102	4.3
Company Obligated Mandatorily Redeemable Preferred or Capital Securities of Subsidiary Trusts Holding Company Junior Subordinated Notes(5)	—	60,000	5.7
Long-Term Debt	331,871	492,371	47.2
Total, excluding amounts due within one year	$868,145	$1,044,145	100.0%

(1) See "Recent Results of Operations" herein.

(2) This ratio is computed as follows: (i) "Earnings" have been calculated by adding to "Income Before Interest Charges" all income taxes deducted therefrom and the debt portion of allowance for funds used during construction, and (ii) "Fixed Charges" consist of "Net Interest Charges" plus the debt portion of allowance for funds used during construction.

(3) In computing this ratio, "Preferred Dividend Requirements" represent the before tax earnings necessary to pay such dividends, computed at the effective tax rates for the applicable periods

(4) Reflects (i) the proposed issuance of $15,000,000 of new Cumulative Preferred Stock and $160,500,000 of new First Mortgage Bonds covered by previous shelf registration filings, (ii) the proposed issuance of $60,000,000 of new Securities and (iii) the proposed redemption of $59,500,000 of Cumulative Preferred Stock.

(5) As described in this Prospectus, substantially all of the assets of the respective Trusts will be the Junior Subordinated Notes of the Company with an aggregate principal amount not exceeding $61,900,000, and upon redemption of such debt, the related Securities will be mandatorily redeemable.

GULF POWER COMPANY

The Company is a corporation organized under the laws of the State of Maine on November 2, 1925, and was admitted to do business in Florida on January 15, 1926, in Mississippi on October 25, 1976 and in Georgia on November 20, 1984. The principal executive offices of the Company are located at 500 Bayfront Parkway, Pensacola, Florida 32501, and the telephone number is (904) 444-6111.

The Company is a wholly owned subsidiary of The Southern Company, a holding company registered under the Public Utility Holding Company Act of 1935. The Company is engaged, within the northwestern portion of the State of Florida, in the generation and purchase of electricity and the distribution and sale of such electricity at retail in 71 communities as well as in rural areas, and at wholesale to a nonaffiliated utility and to a municipality.

THE TRUSTS

Each Trust is a statutory business trust created under Delaware law pursuant to the filing of a certificate of trust with the Delaware Secretary of State on December 26, 1996. Each Trust's business is defined in a trust agreement, executed by the Company, as Depositor, and the Delaware Trustee thereunder. This trust agreement of each Trust will be amended and restated in its entirety substantially in the form filed as an exhibit to the Registration Statement of which this Prospectus forms a part (the "Trust Agreement"). Each Trust Agreement will be qualified as an indenture under the Trust Indenture Act of 1939, as amended (the "1939 Act"). Each Trust exists for the exclusive purposes of (i) issuing its Trust Securities representing undivided beneficial interests in the assets of such Trust, (ii) investing the gross proceeds of its Trust Securities in a related series of Junior Subordinated Notes, and (iii) engaging in only those other activities necessary, appropriate, convenient or incidental thereto.

Each Trust's business and affairs will be conducted by its trustees, which shall be appointed by the Company as the holder of the Common Securities: two officers of the Company as Administrative Trustees, The Chase Manhattan Bank as Property Trustee; and Chase Manhattan Bank Delaware as Delaware Trustee. The Property Trustee of each Trust will act as the indenture trustee with respect to such Trust for purposes of compliance with the provisions of the 1939 Act.

The principal place of business of each Trust shall be c/o the Company 500 Bayfront Parkway, Pensacola, Florida 32501, telephone (904) 444-6111, Attn. Treasurer.

Reference is made to the Prospectus Supplement relating to the Securities of a Trust for further information concerning such Trust.

ACCOUNTING TREATMENT

For financial reporting purposes, the Trusts will be treated as subsidiaries of the Company and, accordingly, the accounts of the Trusts will be included in the consolidated financial statements of the Company. The Securities will be presented as a separate line item in the consolidated balance sheet of the Company, and appropriate disclosures concerning the Securities, the Guarantees and the Junior Subordinated Notes will be included in the notes to the consolidated financial statements. For financial reporting purposes, the Company will record distributions payable on the Securities as an expense.

USE OF PROCEEDS

Each Trust will invest the proceeds received from the sale of its Securities in Junior Subordinated Notes. Except as may be otherwise described in an applicable Prospectus Supplement, the net proceeds received by the Company from such investment will be used in connection with its ongoing construction program, to pay scheduled maturities and/or refundings of its securities, to repay short-term indebtedness to the extent outstanding and for other general corporate purposes.

RECENT RESULTS OF OPERATIONS

For the twelve months ended November 30, 1996, "Operating Revenues", "Income Before Interest Charges", and "Net Income After Dividends on Preferred Stock" were $635,408,000, $92,361,000 and $56,473,000, respectively. In the opinion of the management of the Company, the above amounts for the twelve months ended November 30, 1996 reflect all adjustments (which, except as described in the following paragraph, were only normal recurring adjustments) necessary to present fairly the results of operations for such period. The "Ratio of Earnings to Fixed Charges" and the "Ratio of Earnings to Fixed Charges Plus Preferred Dividend Requirements (Pre-Income Tax Basis)" for the twelve months ended November 30, 1996 were 4.16 and 3.22, respectively.

"Income Before Interest Charges" and "Net Income After Dividends on Preferred Stock" for the twelve months ended November 30, 1996 reflect charges of approximately $5,000,000, after taxes, reflecting benefits provided pursuant to a work force reduction program announced in the fourth quarter of 1995.

DESCRIPTION OF THE JUNIOR SUBORDINATED NOTES

Set forth below is a description of the general terms of the Junior Subordinated Notes. The following description does not purport to be complete and is subject to, and is qualified in its entirety by reference to, the Subordinated Note Indenture, dated as of January 1, 1997, between the Company and The Chase Manhattan Bank, as trustee (the "Indenture Trustee"), as to be supplemented by a supplemental indenture thereto establishing the Junior Subordinated Notes of each series (the Subordinated Note Indenture, as so supplemented, is hereinafter referred to as the "Subordinated Note Indenture"), the forms of which are filed as exhibits to the Registration Statement of which this Prospectus forms a part. The terms of the Junior Subordinated Notes will include those stated in the Subordinated Note Indenture and those made a part of

the Subordinated Note Indenture by reference to the 1939 Act. Certain capitalized terms used herein are defined in the Subordinated Note Indenture.

General

The Junior Subordinated Notes will be issued as unsecured junior subordinated debt securities under the Subordinated Note Indenture. The Subordinated Note Indenture does not limit the aggregate principal amount of Junior Subordinated Notes that may be issued thereunder and provides that Junior Subordinated Notes may be issued from time to time in one or more series pursuant to an indenture supplemental to the Subordinated Note Indenture.

Reference is made to the Prospectus Supplement that will accompany this Prospectus for the following terms of the series of Junior Subordinated Notes being offered thereby: (i) the title of such Junior Subordinated Notes; (ii) any limit on the aggregate principal amount of such Junior Subordinated Notes; (iii) the date or dates on which the principal of such Junior Subordinated Notes is payable (iv) the rate or rates at which such Junior Subordinated Notes shall bear interest, if any, or any method by which such rate or rates will be determined, the date or dates from which such interest will accrue, the interest payment dates on which such interest shall be payable, and the regular record date for the interest payable on any interest payment date, (v) the place or places where the principal of (and premium, if any) and interest, if any, on such Junior Subordinated Notes shall be payable; (vi) the period or periods within which, the price or prices at which and the terms and conditions on which such Junior Subordinated Notes may be redeemed, in whole or in part, at the option of the Company; (vii) the obligation, if any, of the Company to redeem or purchase such Junior Subordinated Notes; (viii) the denominations in which such Junior Subordinated Notes shall be issuable; (ix) if other than the principal amount thereof, the portion of the principal amount of such Junior Subordinated Notes which shall be payable upon declaration of acceleration of the maturity thereof; (x) any deletions from, modifications of or additions to the Events of Default or covenants of the Company as provided in the Subordinated Note Indenture pertaining to such Junior Subordinated Notes; (xi) whether such Junior Subordinated Notes shall be issued in whole or in part in the form of a Global Security; (xii) the right, if any, of the Company to extend the interest payment periods of such Junior Subordinated Notes; and (xiii) any other terms of such Junior Subordinated Notes. The terms of each series of Junior Subordinated Notes issued to a Trust will correspond to those of the related Securities of such Trust as described in the Prospectus Supplement relating to such Securities.

The Subordinated Note Indenture does not contain provisions that afford holders of Junior Subordinated Notes protection in the event of a highly leveraged transaction involving the Company.

Subordination

The Junior Subordinated Notes are subordinated and junior in right of payment to all Senior Indebtedness (as defined below) of the Company. No payment of principal of (including redemption payments, if any), or premium, if any, or interest on (including Additional Interest (as defined herein)) the Junior Subordinated Notes may be made if (a) any Senior Indebtedness is not paid when due and any applicable grace period with respect to such default has ended with such default not being cured or waived or otherwise ceasing to exist, or (b) the maturity of any Senior Indebtedness has been accelerated because of a default, or (c) notice has been given of the exercise of an option to require repayment, mandatory payment or prepayment or otherwise. Upon any payment or distribution of assets of the Company to creditors upon any liquidation, dissolution, winding-up, reorganization, assignment for the benefit of creditors, marshalling of assets or liabilities, or any bankruptcy, insolvency or similar proceedings of the Company, the holders of Senior Indebtedness shall be entitled to receive payment in full of all amounts due or to become due on or in respect of all Senior Indebtedness before the holders of the Junior Subordinated Notes are entitled to receive or retain any payment or distribution. Subject to the prior payment of all Senior Indebtedness, the rights of the holders of the Junior Subordinated Notes will be subrogated to the rights of the holders of Senior Indebtedness to receive payments and distributions applicable to such Senior Indebtedness until all amounts owing on the Junior Subordinated Notes are paid in full

The term "Senior Indebtedness" means, with respect to the Company, (i) any payment due in respect of indebtedness of the Company, whether outstanding at the date of execution of the Subordinated Note Indenture or thereafter incurred, created or assumed, (a) in respect of money borrowed (including any financial derivative, hedging or futures contract or similar instrument) and (b) evidenced by securities, debentures, bonds, notes or other similar instruments issued by the Company that, by their terms, are senior or senior subordinated debt securities including, without limitation, all obligations under its indentures with various trustees; (ii) all capital lease obligations; (iii) all obligations issued or assumed as the deferred purchase price of property, all conditional sale obligations and all obligations of the Company under any title retention agreement (but excluding trade accounts payable arising in the ordinary course of business and long-term purchase obligations); (iv) all obligations for the reimbursement of any letter of credit, banker's acceptance, security purchase facility or similar credit transaction; (v) all obligations of the type referred to in clauses (i) through (iv) above of other persons the payment of which the Company is responsible or liable as obligor, guarantor or otherwise; and (vi) all obligations of the type referred to in clauses (i) through (v) above of other persons secured by any lien on any property or asset of the Company (whether or not such obligation is assumed by the Company), except for (1) any such indebtedness that is by its terms subordinated to or *pari passu* with the Junior Subordinated Notes and (2) any unsecured indebtedness between or among the Company or its affiliates. Such Senior Indebtedness shall continue to be Senior Indebtedness and be entitled to the benefits of the subordination provisions contained in the Subordinated Note Indenture irrespective of any amendment, modification or waiver of any term of such Senior Indebtedness.

The Subordinated Note Indenture does not limit the aggregate amount of Senior Indebtedness that may be issued by the Company. As of September 30, 1996, Senior Indebtedness of the Company aggregated approximately $413,000,000.

Additional Interest

"Additional Interest" is defined in the Subordinated Note Indenture as (i) such additional amounts as may be required so that the net amounts received and retained by a holder of Junior Subordinated Notes (if the holder is a Trust) after paying taxes, duties, assessments or governmental charges of whatever nature (other than withholding taxes) imposed by the United States or any other taxing authority will not be less than the amounts the holder would have received had no such taxes, duties, assessments, or other governmental charges been imposed; and (ii) any interest due and not paid on an interest payment date, together with interest thereon from such interest payment date to the date of payment, compounded quarterly, on each interest payment date.

Certain Covenants

The Company covenants in the Subordinated Note Indenture, for the benefit of the holders of each series of Junior Subordinated Notes, that, (i) if at such time the Company shall have given notice of its election to extend an interest payment period for such series of Junior Subordinated Notes and such extension shall be continuing, (ii) if at such time the Company shall be in default with respect to its payment or other obligations under the Guarantee with respect to the Trust Securities, if any, related to such series of Junior Subordinated Notes, or (iii) if at such time an Event of Default thereunder with respect to such series of Junior Subordinated Notes shall have occurred and be continuing, (a) the Company shall not declare or pay any dividend or make any distributions with respect to, or redeem, purchase, acquire or make a liquidation payment with respect to, any of its capital stock, and (b) the Company shall not make any payment of interest, principal or premium, if any, on or repay, repurchase or redeem any debt securities (including guarantees other than the Guarantees) issued by the Company which rank *pari passu* with or junior to the Junior Subordinated Notes. None of the foregoing, however, shall restrict (i) any of the actions described in the preceding sentence resulting from any reclassification of the Company's capital stock or the exchange or conversion of one class or series of the Company's capital stock for another class or series of the Company's capital stock, or (ii) the purchase of fractional interests in shares of the Company's capital stock pursuant to the conversion or exchange provisions of such capital stock or the security being converted or exchanged

The Subordinated Note Indenture further provides that, for so long as the Trust Securities of any Trust remain outstanding, the Company covenants (i) to directly or indirectly maintain 100% ownership of the Common Securities of such Trust; provided, however, that any permitted successor of the Company under the Subordinated Note Indenture may succeed to the Company's ownership of such Common Securities, and (ii) to use its reasonable efforts to cause such Trust (a) to remain a statutory business trust, except in connection with the distribution of Junior Subordinated Notes to the holders of Trust Securities in liquidation of such Trust, the redemption of all of the Trust Securities of such Trust, or certain mergers, consolidations or amalgamations, each as permitted by the related Trust Agreement, and (b) to otherwise continue to be classified as a grantor trust for United States federal income tax purposes.

Events of Default

The Subordinated Note Indenture provides that any one or more of the following described events with respect to the Junior Subordinated Notes of any series, which has occurred and is continuing, constitutes an "Event of Default" with respect to the Junior Subordinated Notes of such series:

(a) failure for 10 days to pay interest on the Junior Subordinated Notes of such series, including any Additional Interest (as defined in clause (ii) of the definition thereof in the Subordinated Note Indenture) in respect thereof, when due on an Interest Payment Date other than at maturity or upon earlier redemption; provided, however, that a valid extension of the interest payment period by the Company shall not constitute a default in the payment of interest for this purpose; or

(b) failure for 10 days to pay Additional Interest (as defined in clause (i) of the definition thereof in the Subordinated Note Indenture); or

(c) failure to pay principal or premium, if any, or interest, including Additional Interest (as defined in clause (ii) of the definition thereof in the Subordinated Note Indenture), on the Junior Subordinated Notes of such series when due at maturity or upon earlier redemption; or

(d) failure for three Business Days to deposit any sinking fund payment when due by the terms of a Junior Subordinated Note of such series; or

(e) failure to observe or perform any other covenant or warranty of the Company in the Subordinated Note Indenture (other than a covenant or warranty which has expressly been included therein solely for the benefit of one or more series of Junior Subordinated Notes other than such series) for 90 days after written notice to the Company from the Indenture Trustee or the holders of at least 25% in principal amount of the outstanding Junior Subordinated Notes of such series; or

(f) certain events of bankruptcy, insolvency, or reorganization of the Company.

The holders of not less than a majority in aggregate outstanding principal amount of the Junior Subordinated Notes of any series have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Indenture Trustee with respect to the Junior Subordinated Notes of such series. If a Subordinated Note Indenture Event of Default occurs and is continuing with respect to the Junior Subordinated Notes of any series, then the Indenture Trustee or the holders of not less than 25% in aggregate outstanding principal amount of the Junior Subordinated Notes of such series may declare the principal amount thereof due and payable immediately by notice in writing to the Company (and to the Indenture Trustee if given by the holders), and upon any such declaration such principal amount shall become immediately due and payable. At any time after such a declaration of acceleration with respect to the Junior Subordinated Notes of any series has been made and before a judgment or decree for payment of the money due has been obtained as provided in Article Five of the Subordinated Note Indenture, the holders of not less than a majority in aggregate outstanding principal amount of the Junior Subordinated Notes of such series may rescind and annul such declaration and its consequences if the default has been cured or waived and the Company has paid or deposited with the Indenture Trustee a sum sufficient to pay all matured installments of interest (including any Additional Interest) and principal due otherwise than by acceleration and all sums paid or advanced by the Indenture Trustee, including reasonable compensation and expenses of the Indenture Trustee.

A holder of Securities may institute a legal proceeding directly against the Company, without first instituting a legal proceeding against the Property Trustee or any other person or entity, for enforcement of payment to such holder of principal of or interest on the Junior Subordinated Notes of the related series having a principal amount equal to the aggregate stated liquidation amount of the Securities of such holder on or after the due dates specified in the Junior Subordinated Notes of such series.

The holders of not less than a majority in aggregate outstanding principal amount of the Junior Subordinated Notes of any series may, on behalf of the holders of all the Junior Subordinated Notes of such series, waive any past default with respect to such series, except (i) a default in the payment of principal or interest or (ii) a default in respect of a covenant or provision which under Article Nine of the Subordinated Note Indenture cannot be modified or amended thereunder without the consent of the holder of each outstanding Junior Subordinated Note of such series affected thereby.

Registration and Transfer

The Company shall not be required to (i) issue, register the transfer of or exchange Junior Subordinated Notes of any series during a period of 15 days immediately preceding the date notice is given identifying the Junior Subordinated Notes of such series called for redemption, or (ii) register the transfer of or exchange any Junior Subordinated Notes so selected for redemption, in whole or in part, except the unredeemed portion of any Junior Subordinated Note being redeemed in part.

Payment and Paying Agent

Unless otherwise indicated in an applicable Prospectus Supplement, payment of principal of any Junior Subordinated Notes will be made only against surrender to the Paying Agent of such Junior Subordinated Notes. Principal of and interest on Junior Subordinated Notes will be payable, subject to any applicable laws and regulations, at the office of such Paying Agent or Paying Agents as the Company may designate from time to time, except that, at the option of the Company, payment of any interest may be made by wire transfer or by check mailed to the address of the person entitled thereto as such address shall appear in the Security Register with respect to the Junior Subordinated Notes. Payment of interest on Junior Subordinated Notes on any interest payment date will be made to the person in whose name the Junior Subordinated Notes (or predecessor security) are registered at the close of business on the Record Date for such interest payment (the fifteenth calendar day before such interest payment date).

The Indenture Trustee will act as Paying Agent with respect to the Junior Subordinated Notes. The Company may at any time designate additional Paying Agents or rescind the designation of any Paying Agents or approve a change in the office through which any Paying Agent acts.

All moneys paid by the Company to a Paying Agent for the payment of the principal of or interest on the Junior Subordinated Notes of any series which remain unclaimed at the end of two years after such principal or interest shall have become due and payable will be repaid to the Company, and the holder of such Junior Subordinated Notes will thereafter look only to the Company for payment thereof.

Modification

The Subordinated Note Indenture contains provisions permitting the Company and the Indenture Trustee, with the consent of the holders of not less than a majority in principal amount of the outstanding Junior Subordinated Notes of each series affected thereby, to modify the Subordinated Note Indenture or the rights of the holders of the Junior Subordinated Note of such series; provided, that no such modification may, without the consent of the holder of each outstanding Junior Subordinated Note affected thereby, (i) change the stated maturity of the principal of, or any installment of principal of or interest on, any Junior Subordinated Note, or reduce the principal amount thereof or the rate of interest (including Additional Interest) thereon or any premium payable upon the redemption thereof, or change the method of calculating the rate of interest thereon, or impair the right to institute suit for the enforcement of any such payment on or after the stated maturity thereof (or, in the case of redemption, on or after the redemption date), or (ii) reduce the percentage of principal amount of the outstanding Junior Subordinated Notes of any series, the

consent of whose holders is required for any such supplemental indenture, or the consent of whose holders is required for any waiver (of compliance with certain provisions of the Subordinated Note Indenture or certain defaults thereunder and their consequences) provided for in the Subordinated Note Indenture, or (iii) modify any of the provisions of the Subordinated Note Indenture relating to supplemental indentures, waiver of past defaults, or waiver of certain covenants, except to increase any such percentage or to provide that certain other provisions of the Subordinated Note Indenture cannot be modified or waived without the consent of the holder of each outstanding Junior Subordinated Note affected thereby, or (iv) modify the provisions of the Subordinated Note Indenture with respect to the subordination of the Junior Subordinated Notes in a manner adverse to such holder.

In addition, the Company and the Indenture Trustee may execute, without the consent of any holders of Junior Subordinated Notes, any supplemental indenture for certain other usual purposes, including the creation of any new series of junior subordinated notes.

Consolidation, Merger and Sale

The Company shall not consolidate with or merge into any other corporation or convey, transfer or lease its properties and assets substantially as an entirety to any person, unless (1) such other corporation or person is a corporation organized and existing under the laws of the United States, any state thereof or the District of Columbia and such other corporation or person expressly assumes, by supplemental indenture executed and delivered to the Indenture Trustee, the payment of the principal of (and premium, if any) and interest (including Additional Interest) on all the Junior Subordinated Notes and the performance of every covenant of the Subordinated Note Indenture on the part of the Company to be performed or observed; (2) immediately after giving effect to such transactions, no Event of Default, and no event which, after notice or lapse of time or both, would become an Event of Default, shall have happened and be continuing; and (3) the Company has delivered to the Indenture Trustee an officers' certificate and an opinion of counsel, each stating that such transaction complies with the provisions of the Subordinated Note Indenture governing consolidation, merger, conveyance, transfer or lease and that all conditions precedent thereto have been complied with.

Information Concerning the Indenture Trustee

The Indenture Trustee, prior to an Event of Default with respect to Junior Subordinated Notes of any series, undertakes to perform, with respect to Junior Subordinated Notes of such series, only such duties as are specifically set forth in the Subordinated Note Indenture and, in case an Event of Default with respect to Junior Subordinated Notes of any series has occurred and is continuing, shall exercise, with respect to Junior Subordinated Notes of such series, the same degree of care as a prudent individual would exercise in the conduct of his or her own affairs. Subject to such provision, the Indenture Trustee is under no obligation to exercise any of the powers vested in it by the Subordinated Note Indenture at the request of any holder of Junior Subordinated Notes of any series, unless offered reasonable indemnity by such holder against the costs, expenses and liabilities which might be incurred thereby. The Indenture Trustee is not required to expend or risk its own funds or otherwise incur any financial liability in the performance of its duties if the Indenture Trustee reasonably believes that repayment or adequate indemnity is not reasonably assured to it.

The Chase Manhattan Bank, the Indenture Trustee, also serves as Property Trustee and as Guarantee Trustee. The Company and certain of its affiliates maintain deposit accounts and banking relationships with The Chase Manhattan Bank. The Chase Manhattan Bank also serves as trustee under other indentures pursuant to which securities of the Company and affiliates of the Company are outstanding.

Governing Law

The Subordinated Note Indenture and the Junior Subordinated Notes will be governed by, and construed in accordance with, the internal laws of the State of New York.

Miscellaneous

The Company will have the right at all times to assign any of its rights or obligations under the Subordinated Note Indenture to a direct or indirect wholly-owned subsidiary of the Company; provided, that, in the event of any such assignment, the Company will remain primarily liable for all such obligations. Subject

to the foregoing, the Subordinated Note Indenture will be binding upon and inure to the benefit of the parties thereto and their respective successors and assigns.

DESCRIPTION OF THE SECURITIES

Each Trust may issue only one series of Securities having terms described in the Prospectus Supplement relating thereto. The Trust Agreement of each Trust will authorize the Administrative Trustees, on behalf of the Trust, to issue the Securities of such Trust. The Securities of each Trust will have such terms, including distributions, redemption, voting, liquidation rights and such other preferred, deferral or other special rights or such restrictions as shall be set forth in the Trust Agreement of such Trust. Reference is made to the Prospectus Supplement relating to the Securities of a Trust for specific terms, including (i) the distinctive designation of such Securities; (ii) the number of Securities issued by such Trust; (iii) the annual distribution rate (or method of determining such rate) for Securities of such Trust and the date or dates on which such distributions shall be payable; (iv) whether distributions on such Securities shall be cumulative and, in the case of Securities having cumulative distribution rights, the date or dates, or method of determining the date or dates, from which distributions on such Securities shall be cumulative; (v) the amount or amounts that shall be paid out of the assets of such Trust to the holders of the Securities of such Trust upon voluntary or involuntary dissolution, winding-up or termination of such Trust; (vi) the obligation, if any, of such Trust to purchase or redeem such Securities and the price or prices at which, the period or periods within which, and the terms and conditions upon which such Securities shall be purchased or redeemed, in whole or in part, pursuant to such obligation; (vii) the voting rights, if any, of such Securities in addition to those required by law, including the number of votes per Security and any requirement for the approval by the holders of Securities as a condition to specified action or amendments to the Trust Agreement of such Trust; (viii) the rights, if any, to defer distributions on the Securities by extending the interest payment period on the related Junior Subordinated Notes; and (ix) any other relative rights, preferences, privileges, limitations or restrictions of such Securities not inconsistent with the Trust Agreement of such Trust or applicable law. All Securities offered hereby will be guaranteed by the Company to the extent set forth under "Description of the Guarantees." Any material United States federal income tax considerations applicable to an offering of Securities will be described in the Prospectus Supplement relating thereto.

DESCRIPTION OF THE GUARANTEES

Set forth below is a summary of information concerning the Guarantees that will be executed and delivered by the Company for the benefit of the holders of Securities of the respective Trusts from time to time. Each Guarantee will be qualified as an indenture under the 1939 Act. The Chase Manhattan Bank will act as indenture trustee under each Guarantee (the "Guarantee Trustee") for purposes of the 1939 Act. The terms of the respective Guarantees will be those set forth therein and those made part thereof by the 1939 Act. The following summary does not purport to be complete and is subject in all respects to the provisions of, and is qualified in its entirety by reference to, the Guarantees, the form of which is filed as an exhibit to the Registration Statement of which this Prospectus forms a part, and the 1939 Act. Each Guarantee will be held by the Guarantee Trustee for the benefit of holders of the Securities to which it relates.

General

Pursuant to each Guarantee, the Company will irrevocably and unconditionally agree, to the extent set forth therein, to pay in full, to the holders of the related Securities, the Guarantee Payments (as defined herein), to the extent not paid by, or on behalf of, the related Trust, regardless of any defense, right of set-off or counterclaim that the Company may have or assert against any person. The following payments or distributions with respect to the Securities of any Trust to the extent not paid or made by, or on behalf of, such Trust will be subject to the Guarantee related thereto (without duplication): (i) any accrued and unpaid distributions required to be paid on the Securities of such Trust but if and only if and to the extent that such Trust has funds legally and immediately available therefor, (ii) the redemption price, including all accrued and unpaid distributions to the date of redemption (the "Redemption Price"), with respect to any Securities

called for redemption by such Trust, but if and only to the extent such Trust has funds legally and immediately available therefor, and (iii) upon a dissolution, winding-up or termination of such Trust (other than in connection with the distribution of Junior Subordinated Notes to the holders of Trust Securities of such Trust or the redemption of all of the Securities of such Trust), the lesser of (a) the aggregate of the liquidation amount and all accrued and unpaid distributions on the Securities of such Trust to the date of payment, to the extent such Trust has funds legally and immediately available therefor, and (b) the amount of assets of such Trust remaining available for distribution to holders of Securities of such Trust in liquidation of such Trust (the "Guarantee Payments"). The Company's obligation to make a Guarantee Payment may be satisfied by direct payment of the required amounts by the Company to the holders of the related Securities or by causing the related Trust to pay such amounts to such holders.

Each Guarantee will be a guarantee of the Guarantee Payments with respect to the related Securities from the time of issuance of such Securities, but will not apply to the payment of distributions and other payments on such Securities when the related Trust does not have sufficient funds legally and immediately available to make such distributions or other payments. **If the Company does not make interest payments on the Junior Subordinated Notes held by the Property Trustee under any Trust, such Trust will not make distributions on its Securities.**

Subordination

The Company's obligations under each Guarantee to make the Guarantee Payments will constitute an unsecured obligation of the Company and will rank (i) subordinate and junior in right of payment to all other liabilities of the Company, including the Junior Subordinated Notes, except those obligations or liabilities made *pari passu* or subordinate by their terms, (ii) *pari passu* with the most senior preferred or preference stock now or hereafter issued by the Company and with any guarantee now or hereafter entered into by the Company in respect of any preferred or preference securities of any affiliate of the Company, and (iii) senior to all common stock of the Company. The terms of the Securities will provide that each holder of Securities by acceptance thereof agrees to the subordination provisions and other terms of the Guarantee related thereto. The Company has outstanding preferred stock that ranks *pari passu* to the Guarantees and common stock that ranks junior to the Guarantees. See "Selected Information — Selected Financial Information."

Each Guarantee will constitute a guarantee of payment and not of collection (that is, the guaranteed party may institute a legal proceeding directly against the guarantor to enforce its rights under the guarantee without first instituting a legal proceeding against any other person or entity).

Amendments and Assignment

Except with respect to any changes that do not materially and adversely affect the rights of holders of the related Securities (in which case no consent will be required), each Guarantee may be amended only with the prior approval of the holders of not less than 66⅔% in liquidation amount of such outstanding Securities. The manner of obtaining any such approval of holders of the Securities will be as set forth in an accompanying Prospectus Supplement. All guarantees and agreements contained in each Guarantee shall bind the successors, assigns, receivers, trustees and representatives of the Company and shall inure to the benefit of the holders of the related Securities then outstanding.

Termination

Each Guarantee will terminate and be of no further force and effect as to the related Securities upon full payment of the Redemption Price of all such Securities, upon distribution of Junior Subordinated Notes to the holders of such Securities, or upon full payment of the amounts payable upon liquidation of the related Trust. Each Guarantee will continue to be effective or will be reinstated, as the case may be, if at any time any holder of the related Securities must restore payment of any sums paid with respect to such Securities or under such Guarantee.

Events of Default

An event of default under each Guarantee will occur upon the failure by the Company to perform any of its payment obligations thereunder. The holders of a majority in liquidation amount of the Securities to which any Guarantee relates have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Guarantee Trustee in respect of such Guarantee or to direct the exercise of any trust or power conferred upon the Guarantee Trustee under such Guarantee. Any holder of the related Securities may institute a legal proceeding directly against the Company to enforce its rights under such Guarantee without first instituting a legal proceeding against the Guarantee Trustee or any other person or entity. The holders of a majority in liquidation amount of Securities of any series may, by vote, on behalf of the holders of all the Securities of such series, waive any past event of default and its consequences.

Information Concerning the Guarantee Trustee

The Guarantee Trustee, prior to the occurrence of any event of default with respect to any Guarantee and after the curing or waiving of all events of default with respect to such Guarantee, undertakes to perform only such duties as are specifically set forth in such Guarantee and, in case an event of default has occurred, shall exercise the same degree of care as a prudent individual would exercise in the conduct of his or her own affairs. Subject to such provisions, the Guarantee Trustee is under no obligation to exercise any of the powers vested in it by any Guarantee at the request of any holder of the related Securities, unless offered reasonable indemnity against the costs, expenses and liabilities which might be incurred thereby.

The Chase Manhattan Bank, the Guarantee Trustee, also serves as Property Trustee and as Indenture Trustee. The Company and certain of its affiliates maintain deposit accounts and banking relationships with The Chase Manhattan Bank. The Chase Manhattan Bank serves as trustee under other indentures pursuant to which securities of the Company and affiliates of the Company are outstanding.

Governing Law

Each Guarantee will be governed by, and construed in accordance with, the internal laws of the State of New York.

The Agreements as to Expenses and Liabilities

Pursuant to an Agreement as to Expenses and Liabilities to be entered into by the Company under each Trust Agreement, the Company will irrevocably and unconditionally guarantee to each person or entity to whom each Trust becomes indebted or liable the full payment of any indebtedness, expenses or liabilities of such Trust other than obligations of such Trust to pay to the holders of the related Securities or other similar interests in such Trust the amounts due such holders pursuant to the terms of such Securities or such other similar interests, as the case may be.

RELATIONSHIP AMONG THE SECURITIES, THE JUNIOR SUBORDINATED NOTES AND THE GUARANTEES

As long as payments of interest and other payments are made when due on each series of Junior Subordinated Notes issued to a Trust, such payments will be sufficient to cover distributions and payments due on the related Trust Securities of such Trust primarily because (i) the aggregate principal amount of each series of Junior Subordinated Notes will be equal to the sum of the aggregate stated liquidation amount of the related Trust Securities; (ii) the interest rate and interest and other payment dates on each series of Junior Subordinated Notes will match the distribution rate and distribution and other payment dates for the related Securities; (iii) the Company shall pay for all costs and expenses of each Trust pursuant to the Agreements as to Expenses and Liabilities; and (iv) each Trust Agreement provides that the Securities Trustees thereunder shall not cause or permit the Trust to, among other things, engage in any activity that is not consistent with the purposes of the Trust.

Payments of distributions (to the extent funds therefor are legally and immediately available) and other payments due on the Securities (to the extent funds therefor are legally and immediately available) will be guaranteed by the Company as and to the extent set forth under "Description of the Guarantees." If the Company does not make interest payments on any series of Junior Subordinated Notes, it is not expected that the related Trust will have sufficient funds to pay distributions on its Securities. Each Guarantee is a guarantee from the time of its issuance, but does not apply to any payment of distributions unless and until the related Trust has sufficient funds legally and immediately available for the payment of such distributions.

If the Company fails to make interest or other payments on any series of Junior Subordinated Notes when due (taking into account any extension period as described in the applicable Prospectus Supplement), the Trust Agreement provides a mechanism whereby the holders of the related Securities may appoint a substitute Property Trustee. Such holders may also direct the Property Trustee to enforce its rights under the Junior Subordinated Notes of such series, including proceeding directly against the Company to enforce such Junior Subordinated Notes. If the Property Trustee fails to enforce its rights under any series of Junior Subordinated Notes, to the fullest extent permitted by applicable law, any holder of related Securities may institute a legal proceeding directly against the Company to enforce the Property Trustee's rights under such series of Junior Subordinated Notes without first instituting any legal proceeding against the Property Trustee or any other person or entity. Notwithstanding the foregoing, a holder of Securities may institute a legal proceeding directly against the Company, without first instituting a legal proceeding against the Property Trustee or any other person or entity, for enforcement of payment to such holder of principal of or interest on Junior Subordinated Notes of the related series having a principal amount equal to the aggregate stated liquidation amount of the Securities of such holder on or after the due dates specified in the Junior Subordinated Notes of such series.

If the Company fails to make payments under any Guarantee, such Guarantee provides a mechanism whereby the holders of the Securities to which such Guarantee relates may direct the Guarantee Trustee to enforce its rights thereunder. In addition, any holder of Securities may institute a legal proceeding directly against the Company to enforce the Guarantee Trustee's rights under the related Guarantee without first instituting a legal proceeding against the Guarantee Trustee or any other person or entity.

Each Guarantee, the Subordinated Note Indenture, the Junior Subordinated Notes of the related series, the related Trust Agreement and the related Agreement as to Expenses and Liabilities, as described above, constitute a full and unconditional guarantee by the Company of the payments due on the related series of Securities.

Upon any voluntary or involuntary dissolution, winding-up or termination of any Trust, unless Junior Subordinated Notes of the related series are distributed in connection therewith, the holders of Securities of such Trust will be entitled to receive, out of assets legally available for distribution to holders, a liquidation distribution in cash as described in the applicable Prospectus Supplement. Upon any voluntary or involuntary liquidation or bankruptcy of the Company, the Property Trustee, as holder of the related series of Junior Subordinated Notes, would be a subordinated creditor of the Company, subordinated in right of payment to all Senior Indebtedness, but entitled to receive payment in full of principal and interest, before any stockholders of the Company receive payments or distributions. Because the Company is guarantor under each Guarantee and has agreed to pay for all costs, expenses and liabilities of each Trust (other than the Trust's obligations to holders of the Securities) pursuant to the related Agreement as to Expenses and Liabilities, the positions of a holder of Securities and a holder of Junior Subordinated Notes of the related series relative to other creditors and to stockholders of the Company in the event of liquidation or bankruptcy of the Company would be substantially the same.

A default or event of default under any Senior Indebtedness would not constitute a default or Event of Default under the Subordinated Note Indenture. However, in the event of payment defaults under, or acceleration of, Senior Indebtedness, the subordination provisions of the Junior Subordinated Notes provide that no payments may be made in respect of the Junior Subordinated Notes until such Senior Indebtedness has been paid in full or any payment default thereunder has been cured or waived. Failure to make required payments on the Junior Subordinated Notes of any series would constitute an Event of Default under the

Subordinated Note Indenture with respect to the Junior Subordinated Notes of such series except that failure to make interest payments on the Junior Subordinated Notes of such series will not be an Event of Default during an extension period as described in the applicable Prospectus Supplement.

POSSIBLE TAX LAW CHANGES

On March 19, 1996, the Revenue Reconciliation Bill of 1996 (the "Bill"), the revenue portion of President Clinton's 1996 budget proposal, was released. The Bill would, among other things, generally deny interest deductions for interest on an instrument, issued by a corporation, that has a maximum term of more than 20 years and that is not shown as indebtedness on the separate balance sheet of the issuer or, where the instrument is issued to a related party (other than a corporation), where the holder or some other related party issues a related instrument that is not shown as indebtedness on the issuer's consolidated balance sheet. The above-described provisions of the Bill were proposed to be effective generally for instruments issued on or after December 7, 1995. If such provisions were to apply to the Junior Subordinated Notes of any series, the Company would be unable to deduct interest on the Junior Subordinated Notes of such series. However, on March 29, 1996, the Chairmen of the Senate Finance and House Ways and Means Committees issued a joint statement to the effect that it was their intention that the effective date of the President's legislative proposals, if adopted, will be no earlier than the date of appropriate Congressional action. The Company believes that, under current law, it will be able to deduct interest on the Junior Subordinated Notes. There can be no assurance, however, that current or future legislative proposals or final legislation will not affect the ability of the Company to deduct interest on the Junior Subordinated Notes. Such a change could give rise to certain events which may permit the Company to cause a redemption of the Securities or a determination by the Company to terminate a Trust and cause the Junior Subordinated Notes of the related series to be distributed to the holders of the Securities of such Trust in liquidation thereof, all as described in the applicable Prospectus Supplement.

PLAN OF DISTRIBUTION

The Company may sell the Junior Subordinated Notes and the Trusts may sell the Securities in one or more of the following ways from time to time: (i) to underwriters for resale to the public or to institutional investors; (ii) directly to institutional investors; or (iii) through agents to the public or to institutional investors. The Prospectus Supplement with respect to each series of Junior Subordinated Notes or Securities will set forth the terms of the offering of such Junior Subordinated Notes or Securities, including the name or names of any underwriters or agents, the purchase price of such Junior Subordinated Notes or Securities and the proceeds to the Company or the applicable Trust from such sale, any underwriting discounts or agency fees and other items constituting underwriters' or agents' compensation, any initial public offering price, any discounts or concessions allowed or reallowed or paid to dealers and any securities exchange on which such Junior Subordinated Notes or Securities may be listed.

If underwriters participate in the sale, such Junior Subordinated Notes or Securities will be acquired by the underwriters for their own account and may be resold from time to time in one or more transactions, including negotiated transactions, at a fixed public offering price or at varying prices determined at the time of sale.

Unless otherwise set forth in the Prospectus Supplement, the obligations of the underwriters to purchase any series of Junior Subordinated Notes or Securities will be subject to certain conditions precedent and the underwriters will be obligated to purchase all of such series of Junior Subordinated Notes or Securities, if any are purchased.

Underwriters and agents may be entitled under agreements entered into with the Company and/or the applicable Trust to indemnification against certain civil liabilities, including liabilities under the 1933 Act. Underwriters and agents may engage in transactions with, or perform services for, the Company in the ordinary course of business.

Each series of Junior Subordinated Notes or Securities will be a new issue of securities and will have no established trading market. Any underwriters to whom Junior Subordinated Notes or Securities are sold for public offering and sale may make a market in such Junior Subordinated Notes or Securities, but such underwriters will not be obligated to do so and may discontinue any market making at any time without notice. The Junior Subordinated Notes or Securities may or may not be listed on a national securities exchange.

LEGAL MATTERS

Certain matters of Delaware law relating to the validity of the Securities will be passed upon on behalf of the Company and the Trusts by Richards, Layton & Finger, Wilmington, Delaware, special Delaware counsel to the Company and the Trusts. The validity of the Junior Subordinated Notes, the Guarantees and certain matters relating thereto will be passed upon on behalf of the Company by Beggs & Lane, Pensacola, Florida, and by Troutman Sanders LLP, Atlanta, Georgia. Certain legal matters will be passed upon for the Underwriters by Dewey Ballantine, New York, New York.

EXPERTS

The financial statements and schedules of the Company included in the Company's Annual Report on Form 10-K for the year ended December 31, 1995, incorporated by reference in this Prospectus, have been audited by Arthur Andersen LLP, independent public accountants, as indicated in their reports with respect thereto, and are incorporated herein in reliance upon the authority of said firm as experts in accounting and auditing in giving said reports.

Statements as to matters of law and legal conclusions in the Company's Annual Report on Form 10-K for the year ended December 31, 1995, relating to titles to property of the Company under "Item 2 — Properties — Titles to Property", and relating to the Company under "Item 1 — Business — Regulation", "Item 1 — Business — Rate Matters" and "Item 1 — Business — Competition", have been reviewed by Beggs & Lane, general counsel for the Company, and such statements are made upon the authority of such firm as experts.

No person has been authorized to give any information or to make any representations other than those contained or incorporated by reference in this Prospectus Supplement or the Prospectus and, if given or made, such information or representations must not be relied upon as having been authorized. This Prospectus Supplement and the Prospectus do not constitute an offer or solicitation by anyone in any state in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to anyone to whom it is unlawful to make such offer or solicitation. Neither the delivery of this Prospectus Supplement or the Prospectus nor any sale made hereunder or thereunder shall under any circumstance create an implication that there has been no change in the affairs of the Company or Gulf Power Capital Trust I since the date hereof.

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1,600,000 Preferred Securities

Gulf Power Capital Trust I

7.625% Cumulative Quarterly Income Preferred Securities (QUIPS℠)

fully and unconditionally guaranteed, as set forth herein, by

Gulf Power Company

a subsidiary of The Southern Company

Prospectus Supplement

Goldman, Sachs & Co.

Dean Witter Reynolds Inc.

A.G. Edwards & Sons, Inc.

The Robinson-Humphrey Company, Inc.

Smith Barney Inc.

Representatives of the Underwriters

EXHIBIT A.8.

BEGGS & LANE

ATTORNEYS AND COUNSELLORS AT LAW

POST OFFICE BOX 12950

PENSACOLA, FLORIDA 32576-2950

SEVENTH FLOOR BLOUNT BUILDING
3 WEST GARDEN STREET
PENSACOLA, FLORIDA 32501
TELEPHONE (904) 432-2451
TELECOPIER (904) 469-3330

E. DIXIE BEGGS
Retired
BERT H. LANE
(1917-1981)

ROBERT P. GAINES
WILLIAM GUY DAVIS, JR.
W. SPENCER MITCHEM
JAMES H. WEBER
ROBERT L. CRONGEYER
JOHN F. WINDHAM
J. NIXON DANIEL, III
G. EDISON HOLLAND, JR.
RALPH A. PETERSON
GARY B. LEUCHTMAN
JOHN P. DANIEL
JEFFREY A. STONE
JAMES B. CAMPBELL
RUSSELL F. VAN SICKLE
RUSSELL A. BADDERS
GARY W. HUSTON
DAVID J. BARBERIE
MARY JANE THIES
JAMES J. CRONGEYER, JR.

January 31, 1997

Goldman, Sachs & Co., as Representative
85 Broad Street
New York, New York 10004

GULF POWER CAPITAL TRUST I
7.625% CUMULATIVE QUARTERLY INCOME PREFERRED SECURITIES

Ladies and Gentlemen:

We have acted as general counsel to Gulf Power Company (the "Company") in connection with (i) its formation of Gulf Power Capital Trust I, a Delaware statutory business trust (the "Trust"), pursuant to the Amended and Restated Trust Agreement dated as of January 1, 1997 among the Company and the trustees named therein (the "Trust Agreement"); (ii) the Trust's issuance and sale of 7.625% Cumulative Quarterly Income Preferred Securities evidencing approximately 97% undivided beneficial interests in the assets of the Trust (the "Preferred Securities"); (iii) the Trust's issuance and sale of Common Securities evidencing approximately 3% undivided beneficial interests in the assets of the Trust; (iv) the Company's issuance and sale to the Trust of $41,237,125 aggregate principal amount of its Series A 7.625% Junior Subordinated Notes due December 31, 2036 (the "Notes") pursuant to a Subordinated Note Indenture dated as of January 1, 1997, by and between the Company and The Chase Manhattan Bank, as trustee, as supplemented by the First Supplemental Indenture dated as of January 1, 1997 (collectively, the "Indenture"); and (v) its issuance of a guarantee (the "Guarantee") of the Preferred Securities pursuant to a Guarantee Agreement dated as of January 1, 1997 (the "Guarantee Agreement") between the Company and The Chase Manhattan Bank, as trustee. The Preferred Securities are being sold to you today pursuant to the terms of an Underwriting Agreement dated January 27, 1997 (the "Underwriting Agreement"), among the Company, the Trust and the underwriters named in Schedule I thereto (the "Underwriters") for whom you are acting as Representative. This opinion is being delivered to you as Representative pursuant to Section 5(c)(1) of the Underwriting Agreement.

All capitalized terms not otherwise defined herein shall have the meanings set forth in the Underwriting Agreement.

In rendering the opinions expressed below, we have examined the registration statement on Form S-3 (Nos. 333-19271, 333-19271-01 and 333-19271-02) filed by the Company and the Trust under the Securities Act of 1933, as amended (the "Act"), as it became effective under the Act; and the prospectus of the Company and the Trust dated January 10, 1997, as supplemented by the prospectus supplement dated January 27, 1997 (the "Final Supplemented Prospectus"), which pursuant to Form S-3 incorporates by reference the Annual Report on Form 10-K of the Company for the fiscal year ended December 31, 1995, the Quarterly Reports on Form 10-Q of the Company for the quarters ended March 31, 1996, June 30, 1996 and September 30, 1996 and the Current Reports on Form 8-K of the Company dated January 17, 1996, February 21, 1996, November 6, 1996 and January 27, 1997 (the "Exchange Act Documents"), each as filed under the Securities Exchange Act of 1934, as amended (the "Exchange Act").

In addition, we have examined, and have relied as to matters of fact upon, the documents delivered to you at the closing (except the certificates representing the Preferred Securities and the Notes, of which we have examined specimens), and we have made such other and further investigations as we deemed necessary to express the opinions hereinafter set forth. In such examination, we have assumed the genuineness of all signatures, the legal capacity of natural persons, the authenticity of all documents submitted to us as originals, the conformity to original documents of all documents submitted to us as certified or photostatic copies, and the authenticity of the originals of such latter documents.

The Trust Agreement, the Indenture, the Guarantee Agreement and the Underwriting Agreement are herein referred to collectively as the "Agreements".

Based upon the foregoing, and subject to the qualifications and limitations stated herein, we are of the opinion, relying as to matters of New York law upon the opinion dated the date hereof rendered to you by Dewey Ballantine, as to matters of Delaware law upon the opinion dated the date hereof rendered to you by Richards, Layton & Finger, and as to matters of Georgia law and with respect to the Act, the Exchange Act, the Trust Indenture Act (as hereinafter defined), the Public Utility Holding Company Act of 1935, as amended, and the Investment Company Act of 1940, as amended, on the opinion dated the date hereof rendered to you by Troutman Sanders LLP, that:

1. The Company has been duly incorporated and is validly existing as a corporation in good standing under the laws of the State of Maine, is duly qualified to carry on

its business as a foreign corporation under the laws of the States of Florida, Georgia and Mississippi, and has due corporate authority to carry on the public utility business in which it is engaged, to own and operate the properties used by it in such business and to enter into and perform its obligations under the Agreements and the Notes.

2. The execution, delivery and performance by the Company of the Underwriting Agreement have been duly authorized by all necessary corporate action, and the Underwriting Agreement has been duly executed and delivered by the Company.

3. All orders, consents or other authorizations or approvals of the Florida Public Service Commission and the Commission legally required for the issuance and delivery of the Notes and the Guarantee and the issuance and sale of the Preferred Securities have been obtained; such orders are sufficient for the issuance and delivery of the Notes and the Guarantee and the issuance and sale of the Preferred Securities; the issuance and delivery of the Notes and the Guarantee and the issuance and sale of the Preferred Securities conform in all material respects with the terms of such orders; and no other order, consent or other authorization or approval of any Florida or United States governmental body (other than in connection or in compliance with the provisions of the securities or "blue sky" laws of any jurisdiction, as to which we express no opinion) is legally required for the issuance and delivery of the Notes and the Guarantee and the issuance and sale of the Preferred Securities in accordance with the terms of the Underwriting Agreement.

4. The Indenture has been duly authorized, executed and delivered by the Company and, assuming the due authorization, execution and delivery thereof by the Debt Trustee, constitutes a valid and legally binding instrument of the Company, enforceable against the Company in accordance with its terms, subject to the qualifications that the enforceability of the Company's obligations under the Indenture may be limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws relating to or affecting creditors' rights generally and by general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law); and the Indenture conforms as to legal matters in all material respects to the description thereof in the Final Supplemented Prospectus.

5. The Notes have been duly authorized and executed by the Company and, when authenticated by the Debt Trustee in the manner provided in the Indenture and delivered against payment therefor, will constitute valid and binding obligations of the Company, enforceable against the Company in accordance with their terms, subject to the qualifications that the enforceability of the Company's obligations under the Notes may be limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws relating to or affecting creditors' rights generally and by general principles of equity (regardless of whether

such enforceability is considered in a proceeding in equity or at law); and the Notes conform as to legal matters in all material respects to the description thereof in the Final Supplemented Prospectus.

6. The Guarantee Agreement has been duly authorized, executed and delivered by the Company and constitutes a valid and legally binding instrument of the Company, enforceable against the Company in accordance with its terms, subject to the qualifications that the enforceability of the Company's obligations under the Guarantee Agreement may be limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws relating to or affecting creditors' rights generally and by general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law); and the Guarantee Agreement conforms as to legal matters in all material respects to the description thereof in the Final Supplemented Prospectus.

7. Each of the Indenture, the Guarantee Agreement and the Trust Agreement has been duly qualified under the Trust Indenture Act of 1939, as amended (the "Trust Indenture Act").

8. Neither the Company nor the Trust is and, after giving effect to the offering and sale of the Preferred Securities, will be an "investment company" or a company "controlled" by an "investment company" within the meaning of the Investment Company Act of 1940, as amended.

9. The Trust Agreement has been duly authorized, executed and delivered by the Company and, assuming due authorization, execution and delivery thereof by the trustees named therein, constitutes a valid and binding obligation of the Company, enforceable against the Company in accordance with its terms, subject to the qualifications that the enforceability of the Company's obligations under the Trust Agreement may be limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws relating to or affecting creditors' rights generally and by general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

10. To the best of our knowledge, all of the issued and outstanding Common Securities of the Trust are directly owned by the Company, free and clear of any security interest, mortgage, pledge, lien, encumbrance, claim or equitable right.

11. The execution, delivery and performance by the Trust of the Underwriting Agreement and the Trust Agreement; the issuance by the Trust of the Preferred Securities and the Common Securities; the consummation by the Trust of the transactions contemplated

thereby; and the compliance by the Trust with its obligations thereunder do not and will not result in any violation of the Trust Agreement or related Certificate of Trust, and do not and will not conflict with, or result in a breach of any of the terms or provisions of, or constitute a default under, or result in the creation or imposition of any lien, charge or encumbrance upon any property or assets of the Trust under (A) any contract, indenture, mortgage, loan agreement, note, lease or any other agreement or instrument known to us to which the Trust is a party or by which it may be bound or to which any of its properties may be subject (except for such conflicts, breaches or defaults or liens, charges or encumbrances that would not have a material adverse effect on the condition (financial or otherwise) of the Trust), (B) any existing applicable law, rule or regulation applicable to the Trust (other than the securities or "blue sky" laws of any jurisdiction, as to which we express no opinion) or (C) any judgment, order or decree known to us of any government, governmental instrumentality, or court, domestic or foreign, or any regulatory body or administrative agency or other governmental body having jurisdiction over the Trust or any of its properties; and to the best of our knowledge the Trust is not a party to or otherwise bound by any agreement other than those which, or the forms of which, are exhibits (or included in exhibits) to the Registration Statement.

12. The Common Securities have been duly authorized by the Trust Agreement and (subject to the terms of the Trust Agreement), when issued and delivered by the Trust to the Company against payment therefor as described in the Final Supplemented Prospectus, will be validly issued, fully paid and nonassessable undivided beneficial interests in the assets of the Trust; and the issuance of the Common Securities is not subject to preemptive or other similar rights.

13. The Preferred Securities have been duly authorized by the Trust Agreement and (subject to the terms of the Trust Agreement), when delivered to and paid for by the Underwriters pursuant to the Underwriting Agreement, will be validly issued, fully paid and nonassessable undivided beneficial interests in the assets of the Trust; the holders of the Preferred Securities will (subject to the terms of the Trust Agreement) be entitled to the same limitation of personal liability under Delaware law as is extended to stockholders of private corporations for profit organized under the general corporation law of the State of Delaware; the issuance of the Preferred Securities is not subject to preemptive or other similar rights; and the Preferred Securities conform as to legal matters in all material respects to the description thereof in the Final Supplemented Prospectus.

We have not independently verified the accuracy, completeness or fairness of the statements made or included in the Registration Statement, the Final Supplemented Prospectus or the Exchange Act Documents and take no responsibility therefor, except as and

to the extent set forth in paragraphs 4, 5, 6 and 13 above and in the second paragraph under the caption "Experts" in the Final Supplemented Prospectus. In the course of the preparation by the Company of the Registration Statement, the Final Supplemented Prospectus and the Exchange Act Documents, we participated in conferences with certain officers and employees of the Company, with other counsel for the Company, with representatives of Arthur Andersen LLP and with your counsel. Based upon our examination of the Registration Statement, the Final Supplemented Prospectus and the Exchange Act Documents, our investigations made in connection with the preparation of the Registration Statement, the Final Supplemented Prospectus and the Exchange Act Documents and our participation in the conferences referred to above, (i) we are of the opinion that the Registration Statement, as of its effective date, and the Final Supplemented Prospectus, as of January 27, 1997, complied as to form in all material respects with the requirements of the Act and the applicable rules and regulations of the Commission thereunder and that the Exchange Act Documents, as of their respective dates of filing with the Commission, complied as to form in all material respects with the relevant requirements of the Exchange Act and the applicable rules and regulations of the Commission thereunder, except that in each case we express no opinion as to the financial statements or other financial or statistical data contained or incorporated by reference in the Registration Statement, the Final Supplemented Prospectus or the Exchange Act Documents, and (ii) nothing came to our attention which gives us reason to believe that the Registration Statement, as of its effective date (including the Exchange Act Documents on file with the Commission as of such date), contained any untrue statement of a material fact or omitted to state any material fact required to be stated therein or necessary in order to make the statements therein not misleading, or that the Final Supplemented Prospectus (including the Exchange Act Documents) contains any untrue statement of a material fact or omits to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading, except that in each case we express no opinion or belief with respect to the financial statements or other financial or statistical data contained or incorporated by reference in the Registration Statement, the Final Supplemented Prospectus or the Exchange Act Documents.

We are members of the State Bar of Florida and we do not express any opinion herein concerning any law other than the law of the States of Florida and Mississippi and the federal law of the United States and, to the extent set forth herein, the laws of the States of Delaware, New York and Maine.

This opinion is rendered to you in connection with the above-described transaction. This opinion may not be relied upon by you for any other purpose or relied upon by or furnished to any other person without our prior written consent, except that Troutman Sanders LLP and Dewey Ballantine may rely on this opinion in giving their opinions pursuant

to Section 5(c) of the Underwriting Agreement insofar as such opinions relate to matters of Florida and Mississippi law.

Very truly yours,

Beggs & Lane

BEGGS & LANE

EXHIBIT A.9.

TROUTMAN SANDERS LLP
ATTORNEYS AT LAW
A LIMITED LIABILITY PARTNERSHIP

600 PEACHTREE STREET, N.E. - SUITE 750
ATLANTA, GEORGIA 30308-2604
TELEPHONE: 404-885-3861
FACSIMILE: 404-885-3862

NATIONSBANK PLAZA
600 PEACHTREE STREET N.E. SUITE 5200
ATLANTA, GEORGIA 30308-2216
TELEPHONE: 404-885-3000
FACSIMILE: 404-885-3900

601 PENNSYLVANIA AVENUE, N.W.
SUITE 640
NORTH BUILDING
WASHINGTON, D.C. 20004
TELEPHONE: 202-274-2950
FACSIMILE: 202-274-2994

January 31, 1997

Goldman, Sachs & Co., as Representative
85 Broad Street
New York, New York 10004

GULF POWER CAPITAL TRUST I
7.625% CUMULATIVE QUARTERLY INCOME PREFERRED SECURITIES

Ladies and Gentlemen:

We have acted as counsel to Gulf Power Company (the "Company") in connection with (i) its formation of Gulf Power Capital Trust I, a Delaware statutory business trust (the "Trust"), pursuant to the Amended and Restated Trust Agreement dated as of January 1, 1997 among the Company and the trustees named therein (the "Trust Agreement"); (ii) the Trust's issuance and sale of 7.625% Cumulative Quarterly Income Preferred Securities evidencing approximately 97% undivided beneficial interests in the assets of the Trust (the "Preferred Securities"); (iii) the Trust's issuance and sale of Common Securities evidencing approximately 3% undivided beneficial interests in the assets of the Trust; (iv) the Company's issuance and sale to the Trust of $41,237,125 aggregate principal amount of its Series A 7.625% Junior Subordinated Notes due December 31, 2036 (the "Notes") pursuant to a Subordinated Note Indenture dated as of January 1, 1997, by and between the Company and The Chase Manhattan Bank, as trustee, as supplemented by the First Supplemental Indenture dated as of January 1, 1997 (collectively, the "Indenture"); and (v) its issuance of a guarantee (the "Guarantee") of the Preferred Securities pursuant to a Guarantee Agreement dated as of January 1, 1997 (the "Guarantee Agreement") between the Company and The Chase Manhattan Bank, as trustee. The Preferred Securities are being sold to you today pursuant to the terms of an Underwriting Agreement dated January 27, 1997 (the "Underwriting Agreement"), among the Company, the Trust and the underwriters named in Schedule I thereto (the "Underwriters") for whom you are acting as Representative. This opinion is being delivered to you as Representative pursuant to Section 5(c)(2) of the Underwriting Agreement.

All capitalized terms not otherwise defined herein shall have the meanings set forth in the Underwriting Agreement.

In rendering the opinions expressed below, we have examined the registration statement on Form S-3 (Nos. 333-19271, 333-19271-01 and 333-19271-02) filed by the Company and the Trust under the Securities Act of 1933, as amended (the "Act"), as it became effective under the Act; and the prospectus of the Company and the Trust dated January 10, 1997, as supplemented by the prospectus supplement dated January 27, 1997 (the "Final Supplemented Prospectus"), which pursuant to Form S-3 incorporates by reference the Annual Report on Form 10-K of the Company for the fiscal year ended December 31, 1995, the Quarterly Reports on Form 10-Q of the Company for the quarters ended March 31, 1996, June 30, 1996 and September 30, 1996 and the Current Reports on Form 8-K of the Company dated January 17, 1996, February 21, 1996, November 6, 1996 and January 27, 1997 (the "Exchange Act Documents"), each as filed under the Securities Exchange Act of 1934, as amended (the "Exchange Act").

In addition, we have examined, and have relied as to matters of fact upon, the documents delivered to you at the closing (except the certificates representing the Preferred Securities and the Notes, of which we have examined specimens), and we have made such other and further investigations as we deemed necessary to express the opinions hereinafter set forth. In such examination, we have assumed the genuineness of all signatures, the legal capacity of natural persons, the authenticity of all documents submitted to us as originals, the conformity to original documents of all documents submitted to us as certified or photostatic copies, and the authenticity of the originals of such latter documents.

The Trust Agreement, the Indenture, the Guarantee Agreement and the Underwriting Agreement are herein referred to collectively as the "Agreements".

Based upon the foregoing, and subject to the qualifications and limitations stated herein, we are of the opinion, relying as to matters of New York law upon the opinion dated the date hereof rendered to you by Dewey Ballantine, as to matters of Delaware law upon the opinion dated the date hereof rendered to you by Richards, Layton & Finger, and as to matters of Florida and Mississippi law upon the opinion dated the date hereof rendered to you by Beggs & Lane, that:

1. The Company has been duly incorporated and is validly existing as a corporation in good standing under the laws of the State of Maine, is duly qualified to carry on its business as a foreign corporation under the laws of the States of Florida, Georgia and Mississippi, and has due corporate authority to carry on the public utility business in which it is engaged, to own and operate the properties used by it in such business and to enter into and perform its obligations under the Agreements and the Notes.

2. The execution, delivery and performance by the Company of the Underwriting Agreement have been duly authorized by all necessary corporate action, and the Underwriting Agreement has been duly executed and delivered by the Company.

3. All orders, consents or other authorizations or approvals of the Georgia Public Service Commission and the Commission legally required for the issuance and delivery of the Notes and the Guarantee and the issuance and sale of the Preferred Securities have been obtained; such orders are sufficient for the issuance and delivery of the Notes and the Guarantee and the issuance and sale of the Preferred Securities; the issuance and delivery of the Notes and the Guarantee and the issuance and sale of the Preferred Securities conform in all material respects with the terms of such orders; and no other order, consent or other authorization or approval of any Georgia or United States governmental body (other than in connection or in compliance with the provisions of the securities or "blue sky" laws of any jurisdiction, as to which we express no opinion) is legally required for the issuance and delivery of the Notes and the Guarantee and the issuance and sale of the Preferred Securities in accordance with the terms of the Underwriting Agreement.

4. The Indenture has been duly authorized, executed and delivered by the Company and, assuming the due authorization, execution and delivery thereof by the Debt Trustee, constitutes a valid and legally binding instrument of the Company, enforceable against the Company in accordance with its terms, subject to the qualifications that the enforceability of the Company's obligations under the Indenture may be limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws relating to or affecting creditors' rights generally and by general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law); and the Indenture conforms as to legal matters in all material respects to the description thereof in the Final Supplemented Prospectus.

5. The Notes have been duly authorized and executed by the Company and, when authenticated by the Debt Trustee in the manner provided in the Indenture and delivered against payment therefor, will constitute valid and binding obligations of the Company, enforceable against the Company in accordance with their terms, subject to the qualifications that the enforceability of the Company's obligations under the Notes may be limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws relating to or affecting creditors' rights generally and by general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law); and the Notes conform as to legal matters in all material respects to the description thereof in the Final Supplemented Prospectus.

6. The Guarantee Agreement has been duly authorized, executed and delivered by the Company and constitutes a valid and legally binding instrument of the Company,

enforceable against the Company in accordance with its terms, subject to the qualifications that the enforceability of the Company's obligations under the Guarantee Agreement may be limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws relating to or affecting creditors' rights generally and by general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law); and the Guarantee Agreement conforms as to legal matters in all material respects to the description thereof in the Final Supplemented Prospectus.

7. Each of the Indenture, the Guarantee Agreement and the Trust Agreement has been duly qualified under the Trust Indenture Act of 1939, as amended.

8. Neither the Company nor the Trust is and, after giving effect to the offering and sale of the Preferred Securities, will be an "investment company" or a company "controlled" by an "investment company" within the meaning of the Investment Company Act of 1940, as amended.

9. The Trust Agreement has been duly authorized, executed and delivered by the Company and, assuming due authorization, execution and delivery thereof by the trustees named therein, constitutes a valid and binding obligation of the Company, enforceable against the Company in accordance with its terms, subject to the qualifications that the enforceability of the Company's obligations under the Trust Agreement may be limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws relating to or affecting creditors' rights generally and by general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

10. The statements as to matters of law and legal conclusions contained in the Final Supplemented Prospectus under the caption "Certain Federal Income Tax Considerations" are correct in all material respects.

11. To the best of our knowledge, all of the issued and outstanding Common Securities of the Trust are directly owned by the Company free and clear of any security interest, mortgage, pledge, lien, encumbrance, claim or equitable right.

12. The execution, delivery and performance by the Trust of the Underwriting Agreement and the Trust Agreement; the issuance by the Trust of the Preferred Securities and the Common Securities; the consummation by the Trust of the transactions contemplated thereby; and the compliance by the Trust with its obligations thereunder do not and will not result in any violation of the Trust Agreement or related Certificate of Trust, and do not and will not conflict with, or result in a breach of any of the terms or provisions of, or constitute a default under, or result in the creation or imposition of any lien, charge or encumbrance upon

any property or assets of the Trust under (A) any contract, indenture, mortgage, loan agreement, note, lease or any other agreement or instrument known to us to which the Trust is a party or by which it may be bound or to which any of its properties may be subject (except for such conflicts, breaches or defaults or liens, charges or encumbrances that would not have a material adverse effect on the condition (financial or otherwise) of the Trust), (B) any existing applicable law, rule or regulation applicable to the Trust (other than the securities or "blue sky" laws of any jurisdiction, as to which we express no opinion) or (C) any judgment, order or decree known to us of any government, governmental instrumentality, or court, domestic or foreign, or any regulatory body or administrative agency or other governmental body having jurisdiction over the Trust or any of its properties; and to the best of our knowledge the Trust is not a party to or otherwise bound by any agreement other than those which, or the forms of which, are exhibits (or included in exhibits) to the Registration Statement.

13. The Common Securities have been duly authorized by the Trust Agreement and (subject to the terms of the Trust Agreement), when issued and delivered by the Trust to the Company against payment therefor as described in the Final Supplemented Prospectus, will be validly issued, fully paid and nonassessable undivided beneficial interests in the assets of the Trust; and the issuance of the Common Securities is not subject to preemptive or other similar rights.

14. The Preferred Securities have been duly authorized by the Trust Agreement and (subject to the terms of the Trust Agreement), when delivered to and paid for by the Underwriters pursuant to the Underwriting Agreement, will be validly issued, fully paid and nonassessable undivided beneficial interests in the assets of the Trust; the holders of the Preferred Securities will (subject to the terms of the Trust Agreement) be entitled to the same limitation of personal liability under Delaware law as is extended to stockholders of private corporations for profit organized under the general corporation law of the State of Delaware; the issuance of the Preferred Securities is not subject to preemptive or other similar rights; and the Preferred Securities conform as to legal matters in all material respects to the description thereof in the Final Supplemented Prospectus.

We have not independently verified the accuracy, completeness or fairness of the statements made or included in the Registration Statement, the Final Supplemented Prospectus or the Exchange Act Documents and take no responsibility therefor, except as and to the extent set forth in paragraphs 4, 5, 6, 10 and 14 above. In the course of the preparation by the Company of the Registration Statement, the Final Supplemented Prospectus and the Exchange Act Documents, we participated in conferences with certain officers and employees of the Company, with other counsel for the Company, with representatives of Arthur Andersen LLP and with your counsel. Based upon our examination of the Registration Statement, the

Final Supplemented Prospectus and the Exchange Act Documents, our investigations made in connection with the preparation of the Registration Statement, the Final Supplemented Prospectus and the Exchange Act Documents and our participation in the conferences referred to above, (i) we are of the opinion that the Registration Statement, as of its effective date, and the Final Supplemented Prospectus, as of January 27, 1997, complied as to form in all material respects with the requirements of the Act and the applicable rules and regulations of the Commission thereunder and that the Exchange Act Documents, as of their respective dates of filing with the Commission, complied as to form in all material respects with the relevant requirements of the Exchange Act and the applicable rules and regulations of the Commission thereunder, except that in each case we express no opinion as to the financial statements or other financial or statistical data contained or incorporated by reference in the Registration Statement, the Final Supplemented Prospectus or the Exchange Act Documents, and (ii) nothing came to our attention which gives us reason to believe that the Registration Statement, as of its effective date (including the Exchange Act Documents on file with the Commission as of such date), contained any untrue statement of a material fact or omitted to state any material fact required to be stated therein or necessary in order to make the statements therein not misleading, or that the Final Supplemented Prospectus (including the Exchange Act Documents) contains any untrue statement of a material fact or omits to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading, except that in each case we express no opinion or belief with respect to the financial statements or other financial or statistical data contained or incorporated by reference in the Registration Statement, the Final Supplemented Prospectus or the Exchange Act Documents.

We are members of the State Bar of Georgia and we do not express any opinion herein concerning any law other than the law of the State of Georgia and the federal law of the United States and, to the extent set forth herein, the laws of the States of Delaware, Maine, Florida, New York and Mississippi.

This opinion is rendered to you in connection with the above-described transaction. This opinion may not be relied upon by you for any other purpose or relied upon by or furnished to any other person without our prior written consent, except that Beggs & Lane and Dewey Ballantine may rely on this opinion in giving their opinions pursuant to Section 5(c) of the Underwriting Agreement insofar as such opinions relate to matters of Georgia law.

Very truly yours,

Troutman Sanders LLP

TROUTMAN SANDERS LLP

56452

EXHIBIT A.10.

RICHARD J. A. JAMS
CHARLES F. RICHARDS, JR.
THOMAS P. SWEENEY
PIERRE S. DUPONT
ROBERT H. RICHARDS, III
R. FRANKLIN BALOTTI
MARTIN I. LUBAROFF
RICHARD G. ELLIOTT, JR.
WENDELL FENTON
ALLEN M. TERRELL, JR.
GLENN C. KENTON
RICHARD G. BACON
STEPHEN E. HERRMANN
JULIAN H. BAUMANN, JR.
DANIEL L. KLEIN
DONALD A. BUSBARD
WILLIAM J. WADE
THOMAS L. AMBRO
JESSE A. FINKELSTEIN
SAMUEL A. NOLEN
THOMAS A. BECK
GREGORY P. WILLIAMS
JOHN A. PARKINS, JR.
PAUL M. ALTMAN
GREGORY V. VARALLO
MARK J. GENTILE
ROBERT J. KRAFT
KEVIN G. ABRAMS
ERIC A. MADE
ROBERT W. WHETZEL
W. DONALD BAGNIS, II
C. STEPHEN BIGLER
C. MALCOLM COCHRAN, IV
ANNE C. FOSTER
CYNTHIA G. KAISER
DANIEL A. DREISBACH
JAMES G. LEYDEN, JR.
FREDERICK L. COTTRELL, III
BERNARD J. KELLEY

RICHARDS, LAYTON & FINGER

ONE RODNEY SQUARE

P.O. BOX 551

WILMINGTON, DELAWARE 19899

TELEPHONE (302) 658-6541

TELECOPIER (302) 658-6548

WRITER'S DIRECT DIAL NUMBER

KAREN C. BIFFERATO
MARK D. COLLINS
DAVID B. CONRAY
DONEENE KEEMER DAMON
CLAUDIA A. DELGROSS
RAYMOND J. DICAMILLO
FRANCIS DIGIOVANNI
JOHN T. DORSEY
MATTHEW FERRETTI
DAVID A. FIAN
MATTHEW E. FISCHER
BRIGITTE V. FRESCO
PHILIP B. GOORE*
WILLIAM J. HAUBERT
TARA J. HOFFNER
JENNIFER L. JANES
RICHARD I. G. JONES, JR.
PETER S. KIRSH
PETER S. LADIG
GREGORY W. LADNER
J. TRAVIS LASTER
JOSEPH O. LIBCKY
JEFFREY L. MOYER
JON L. PETERSON
MICHAEL G. PHILLIPS
SRINIVAS M. RAJU
HELEN M. RICHARDS
JANINE M. SALOMONE
TODD C. SCHILTZ
LISA A. SCHMIDT
RUSSELL C. SILBERGLIED
ROBERT J. STEARN, JR.
HILLARY C. STEINBERG
CATHERINE G. WAGNER
HELEN L. WINSLOW
WILLIAM A. YEMC

*ADMITTED DC, NJ AND PA ONLY

January 31, 1997

Goldman, Sachs & Co.
85 Broad Street
New York, NY 10004

Re: Gulf Power Capital Trust I

Ladies and Gentlemen:

We have acted as special Delaware counsel for Gulf Power Company, a Maine corporation (the "Company"), and Gulf Power Capital Trust I, a Delaware business trust (the "Trust"), in connection with the matters set forth herein. This opinion is being furnished to you pursuant to Section 5(c)(3) of the Underwriting Agreement, dated January 27, 1997 (the "Underwriting Agreement"), among the Company, the Trust, Goldman, Sachs & Co. and the other Underwriters listed in Schedule I thereto.

For purposes of giving the opinions hereinafter set forth, our examination of documents has been limited to the examination of originals or copies of the following:

(a) The Certificate of Trust of the Trust, dated December 26, 1996 (the "Certificate"), as filed in the office of the Secretary of State of the State of Delaware (the "Secretary of State") on December 25, 1996;

(b) The Trust Agreement of the Trust, dated as of December 26, 1996, among the Company and the trustees of the Trust named therein;

(c) The Amended and Restated Trust Agreement dated as of January 1, 1997 (including Exhibits C and E), among the Company, the trustees of the Trust named

therein, and the holders, from time to time, of the undivided beneficial interests in the assets of the Trust (the "Trust Agreement");

(d) The Underwriting Agreement;

(e) The Prospectus, dated January 10, 1997 (the "Prospectus"), as supplemented by the Prospectus Supplement dated January 27, 1997 (the "Prospectus Supplement"), relating to the 7.625% Cumulative Quarterly Income Preferred Securities of the Trust representing preferred undivided beneficial interests in the assets of the Trust (each, a "Preferred Security" and collectively, the "Preferred Securities"); and

(f) A Certificate of Good Standing for the Trust, dated January 31, 1997, obtained from the Secretary of State.

Initially capitalized terms used herein and not otherwise defined are used as defined in the Trust Agreement.

For purposes of this opinion, we have not reviewed any documents other than the documents listed in paragraphs (a) through (f) above. In particular, we have not reviewed any document (other than the documents listed in paragraphs (a) through (f) above) that is referred to in or incorporated by reference into the documents reviewed by us. We have assumed that there exists no provision in any document that we have not reviewed that is inconsistent with the opinions stated herein. We have conducted no independent factual investigation of our own but rather have relied solely upon the foregoing documents, the statements and information set forth therein and the additional matters recited or assumed herein, all of which we have assumed to be true, complete and accurate in all material respects.

With respect to all documents examined by us, we have assumed (i) the authenticity of all documents submitted to us as authentic originals, (ii) the conformity with the originals of all documents submitted to us as copies or forms, and (iii) the genuineness of all signatures.

For purposes of this opinion, we have assumed (i) the Trust Agreement constitutes the entire agreement among the parties thereto with respect to the subject matter thereof, including with respect to the creation, operation and termination of the Trust, and the Trust Agreement and the Certificate are in full force and effect and have not been amended, (ii) except to the extent provided in paragraph 1 below, the due organization or due formation or due creation, as the case may be, and valid existence in good standing of each party to the documents examined by us under the laws of the

jurisdiction governing its organization or formation or creation, (iii) the legal capacity of natural persons who are parties to the documents examined by us, (iv) except to the extent provided in paragraph 2 below, the power and authority of each of the parties to the documents examined by us to execute and deliver, and to perform its obligations under, such documents, (v) except to the extent provided in paragraph 4 below, the due authorization, execution and delivery by all parties thereto of all documents examined by us, (vi) the receipt by each Person to whom a Trust Security is to be issued by the Trust (collectively, the "Trust Security Holders") of a Trust Securities Certificate for such Trust Security and the payment for the Trust Security acquired by it, in accordance with the Trust Agreement, the Prospectus and the Prospectus Supplement, and (vii) the issuance and sale of the Trust Securities to the Trust Security Holders in accordance with the Trust Agreement, the Prospectus and the Prospectus Supplement. We have not participated in the preparation of the Prospectus or the Prospectus Supplement.

This opinion is limited to the laws of the State of Delaware (excluding the securities laws of the State of Delaware), and we have not considered and express no opinion on the laws of any other jurisdiction, including federal laws and rules and regulations relating thereto. Our opinions are rendered only with respect to Delaware laws and rules, regulations and orders thereunder which are currently in effect.

Based upon the foregoing, and upon our examination of such questions of law and statutes of the State of Delaware as we have considered necessary or appropriate, and subject to the assumptions, qualifications, limitations and exceptions set forth herein, we are of the opinion that:

1. The Trust has been duly created and is validly existing in good standing as a business trust under the Delaware Business Trust Act, 12 Del. C. § 3801, et seq. (the "Business Trust Act"), and all filings required under the laws of the State of Delaware with respect to the creation and valid existence of the Trust as a business trust have been made.

2. Under the Business Trust Act and the Trust Agreement, the Trust has the trust power and authority to (i) own property and conduct its business, all as described in the Prospectus and the Prospectus Supplement, (ii) execute and deliver, and to perform its obligations under, the Underwriting Agreement, (iii) issue and perform its obligations under the Trust Securities, and (iv) perform its obligations under the Trust Agreement.

3. The Trust Securities have been duly authorized by the Trust Agreement and will be duly and validly issued undivided beneficial interests in the assets

of the Trust. Subject to the qualifications set forth in paragraph 6 below, the Preferred Securities are fully paid and nonassessable undivided beneficial interests in the assets of the Trust. Under the Business Trust Act and the Trust Agreement, the Trust Securities are not subject to any preemptive or other similar rights.

4. Under the Business Trust Act and the Trust Agreement, the Underwriting Agreement has been duly authorized by all necessary trust action on the part of the Trust.

5. No authorization, approval, consent or order of any Delaware court or Delaware governmental authority or Delaware agency is required to be obtained by the Trust solely as result of the issuance and sale of the Preferred Securities.

6. The Persons to whom Preferred Securities are to be issued by the Trust (collectively, the "Preferred Security Holders"), as beneficial owners of the Trust, will be entitled to the same limitation of personal liability extended to stockholders of private corporations for profit organized under the General Corporation Law of the State of Delaware. We note that the Preferred Security Holders may be obligated, pursuant to the Trust Agreement, to (i) provide indemnity and/or security in connection with and pay taxes or governmental charges arising from transfers or exchanges of Preferred Securities Certificates and the issuance of replacement Preferred Securities Certificates and (ii) provide security or indemnity in connection with requests of or directions to the Property Trustee to exercise its rights and powers under the Trust Agreement. We also note that the Company, in its capacity as Depositor and not in its capacity as a Holder, has undertaken certain payment obligations as set forth in the Trust Agreement.

7. The Trust Agreement constitutes a valid and binding obligation of the Company, and is enforceable against the Company, in accordance with its terms.

8. The issuance and sale by the Trust of the Trust Securities, the execution, delivery and performance by the Trust of the Underwriting Agreement, the consummation by the Trust of the transactions contemplated by the Underwriting Agreement and the Trust Agreement and compliance by the Trust with its obligations thereunder do not violate (i) any of the provisions of the Certificate or the Trust Agreement or (ii) any applicable Delaware law or Delaware administrative regulation.

9. We have reviewed the statements in the Prospectus under the caption "The Trusts" and the statements in the Prospectus Supplement under the caption "Gulf Power Capital Trust I" and, insofar as they contain statements of Delaware law, such statements are fairly presented.

The opinion expressed in paragraph 7 above is subject, as to enforcement, to the effect upon the Trust Agreement of (i) bankruptcy, insolvency, moratorium, receivership, reorganization, liquidation, fraudulent conveyance and other similar laws relating to or affecting the rights and remedies of creditors generally, (ii) principles of equity, including applicable law relating to fiduciary duties (regardless of whether considered and applied in a proceeding in equity or at law), and (iii) the effect of applicable public policy on the enforcement of provisions related to indemnification. In addition, in connection with the opinion expressed in paragraph 7 above, to the extent that Section 10.05 of the Trust Agreement provides that the Trust Agreement is governed by New York law, we express no opinion concerning Section 10.05 of the Trust Agreement or the effect of Section 10.05 of the Trust Agreement on the Trust Agreement.

We consent to your relying as to matters of Delaware law upon this opinion in connection with the Underwriting Agreement. We consent to the law firms of Bingham & Lane, Troutman Sanders LLP and Dewey Ballantine relying as to matters of Delaware law upon this opinion in connection with opinions to be rendered by them pursuant to the Underwriting Agreement. Except as stated above, without our prior written consent, this opinion may not be furnished or quoted to, or relied upon by, any other Person for any purpose.

Very truly yours,

Richards, Layton & Finger

CDK/pm

As filed with the Securities and Exchange Commission on January 3, 1997.
Subject to Amendment.

Registration Nos. 333-19271
333-19271-01
333-19271-02

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM S-3
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

EXHIBIT A.11.

EXHIBIT B. .

Gulf Power Company	Maine	59-0276810
Gulf Power Capital Trust I	Delaware	Applied for
Gulf Power Capital Trust II	Delaware	Applied for
(Exact name of registrant as specified in its charter)	*(State or other jurisdiction of incorporation or organization)*	*(I.R.S. Employer Identification No.)*

500 Bayfront Parkway
Pensacola, Florida 32501
(904) 444-6111
(Address, including zip code, and telephone number, including area code, of each registrant's principal executive offices)

WARREN E. TATE
Secretary and Treasurer
Gulf Power Company
500 Bayfront Parkway
Pensacola, Florida 32501
(904) 444-6206
(Name, address, including zip code, and telephone number, including area code, of agent for service of each registrant)

The Commission is requested to mail signed copies of all orders, notices and communications to:

W. L. WESTBROOK
Financial Vice President
THE SOUTHERN COMPANY
270 Peachtree Street, N.W.
Atlanta, Georgia 30303

JOHN D. McLANAHAN, ESQ.
TROUTMAN SANDERS LLP
600 Peachtree Street, N.E.
Suite 5200
Atlanta, Georgia 30308-2216

Approximate date of commencement of proposed sale to the public: From time to time after the effective date of this registration statement.

If the only securities being registered on this Form are being offered pursuant to dividend or interest reinvestment plans, please check the following box ☐

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, other than securities offered only in connection with dividend or interest reinvestment plans, check the following box: ☒

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering ☐ _____

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering ☐ _____

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box ☐

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	Amount to be Registered(1)	Proposed Maximum Offering Price Per Unit(1)(2)(3)	Proposed Maximum Aggregate Offering Price(1)(2)(3)	Amount of Registration Fee(1)
Gulf Power Capital Trust I Preferred Securities				
Gulf Power Capital Trust II Preferred Securities				
Gulf Power Capital Trust I Capital Securities				
Gulf Power Capital Trust II Capital Securities				
Gulf Power Company Junior Subordinated Notes				
Gulf Power Company Guarantees with respect to Preferred Securities and Capital Securities of Gulf Power Capital Trust I and Gulf Power Capital Trust II(4)(5)				
Total	$ 60,000,000	100%	$ 60,000,000	$ 18,182

(1) There are being registered hereunder such presently indeterminate number of Preferred Securities and Capital Securities of Gulf Power Capital Trust I and Gulf Power Capital Trust II and such presently indeterminate principal amount of Junior Subordinated Notes of Gulf Power Company with an aggregate initial offering price not to exceed $60,000,000. Junior Subordinated Notes also may be issued to Gulf Power Capital Trust I or Gulf Power Capital Trust II and later distributed upon dissolution and distribution of the assets thereof, which would include such Junior Subordinated Notes for which no separate consideration will be received. Pursuant to Rule 457(o) under the Securities Act of 1933, which permits the registration fee to be calculated on the basis of the maximum offering price of all the securities listed, the table does not specify by each class information as to the amount to be registered, proposed maximum offering price per unit or proposed maximum aggregate offering price.

(2) Estimated solely for the purpose of determining the registration fee.

(3) Exclusive of accrued interest and distributions, if any.

(4) No separate consideration will be received for the Gulf Power Company Guarantees. Pursuant to Rule 457(n) no separate fee is payable in respect of the Gulf Power Company Guarantees.

(5) Includes the obligations of Gulf Power Company under the respective Trust Agreements, the Subordinated Note Indenture, the related series of Junior Subordinated Notes, the respective Guarantees and the respective Agreements as to Expenses and Liabilities, which include the Company's covenant to pay any indebtedness, expenses or liabilities of the Trusts (other than obligations pursuant to the terms of the Securities or other similar interests), all as described in this registration statement.

The registrants hereby amend this registration statement on such date or dates as may be necessary to delay its effective date until the registrants shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until this registration statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

Information contained herein is subject to completion or amendment. A registration statement relating to these securities has been filed with the Securities and Exchange Commission. These securities may not be sold nor may offers to buy be accepted prior to the time the registration statement becomes effective. This prospectus shall not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities in any State in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such State.

SUBJECT TO COMPLETION, DATED JANUARY 3, 1997

PROSPECTUS SUPPLEMENT TO PROSPECTUS DATED JANUARY , 1997

[ ] Preferred Securities

Gulf Power Capital Trust [ ]

% Trust Preferred Securities

(Liquidation amount $25 per Preferred Security)

Fully and unconditionally guaranteed, as set forth herein, by

Gulf Power Company

a subsidiary of The Southern Company

The % Trust Preferred Securities (the "Preferred Securities") offered hereby evidence preferred undivided beneficial interests, representing 97% undivided beneficial interests in the assets of Gulf Power Capital Trust [ ], a statutory business trust created under the laws of the State of Delaware (the "Trust"). Gulf Power Company, a Maine corporation (the "Company"), will own all the common securities (the "Common Securities" and, together with the Preferred Securities, the "Trust Securities") representing the remaining 3% undivided beneficial interests in the assets of the Trust. The Trust exists for the sole purpose of issuing the Preferred Securities and Common Securities and investing the proceeds thereof in an equivalent amount of the Company's Series % junior subordinated deferrable interest notes due , (the "Series Junior Subordinated Notes").

The Series Junior Subordinated Notes will be unsecured obligations of the Company and will be subordinate and junior in right of payment to Senior Indebtedness of the Company, as described herein. See "Description of the Junior Subordinated Notes — Subordination" in the accompanying Prospectus. Holders of the Preferred Securities are entitled to receive cumulative cash distributions at the rate of % per annum (the "Securities Rate"), accruing from the date of original issuance and payable, unless deferred, quarterly in arrears on March 31, June 30, September 30 and December 31 of each year (each, a "Distribution Date").

(continued on page S-2)

See "Risk Factors" beginning on page S-7 for certain information relevant to an investment in the Preferred Securities, including the period and circumstances during and under which payments of distributions on the Preferred Securities may be deferred and the related United States federal income tax consequences of such deferral.

Application has been made to list the Preferred Securities on the New York Stock Exchange, Inc. (the "NYSE"). If approved, trading of the Preferred Securities on the NYSE is expected to commence within a 30-day period after the initial delivery of the Preferred Securities. See "Underwriting."

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS SUPPLEMENT OR THE PROSPECTUS TO WHICH IT RELATES. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

	Price to Public(1)	Underwriting Discount(2)(3)	Proceeds to Trust(2)(3)(4)
Per Preferred Security	$	$	$
Total	$	$	$

(1) Plus accrued distributions, if any, from the Issue Date.

(2) The Company and the Trust have agreed to indemnify the Underwriters against certain liabilities, including liabilities under the Securities Act of 1933, as amended. See "Underwriting."

(3) Because the proceeds of the sale of the Preferred Securities will be invested in Series Junior Subordinated Notes, the Company has agreed to pay to the Underwriters, as compensation (the "Underwriters' Compensation") for arranging the investment therein of such proceeds, $ per Preferred Security, except for Preferred Securities sold to certain institutions, for which the Underwriters' Compensation will be $ per Preferred Security. Therefore, to the extent that Preferred Securities are sold to such institutions, the actual amount of Underwriters' Compensation will be less than and the Proceeds to Trust will be greater than the aggregate amounts specified above. See "Underwriting."

(4) Expenses of the offering to be paid by the Company are estimated to be approximately $.

The Preferred Securities are offered severally by the Underwriters, as specified herein, subject to receipt and acceptance by them and subject to their right to reject any order in whole or in part. It is expected that delivery of the Preferred Securities will be made in book-entry only form through the facilities of The Depository Trust Company on or about , (the "Issue Date").

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(continued from page S-1)

The Securities Rate and the Distribution Dates for the Preferred Securities will correspond to the interest rate and interest and other payment dates on the Series Junior Subordinated Notes, which will constitute substantially all the assets of the Trust. As a result, if principal or interest is not paid on the Series Junior Subordinated Notes, no amounts will be paid on the Preferred Securities. **The Company has the right to defer payments of interest on the Series Junior Subordinated Notes by extending the interest payment period on the Series Junior Subordinated Notes, at any time and from time to time, for up to 20 consecutive quarters (each, an "Extension Period").** If interest payments are so deferred, distributions on the Preferred Securities also will be deferred and the Company will not be permitted to declare or pay any dividend or distribution on any of its capital stock or make any guarantee payments with respect to the foregoing, or make any payment on any debt securities issued by the Company which rank *pari passu* with or junior to the Series Junior Subordinated Notes. During any Extension Period, holders of Preferred Securities will be required to include income in the form of original issue discount ("OID") in their gross income for United States federal income tax purposes in advance of the receipt of the cash payments attributable to such deferred interest. See "Description of the Series Junior Subordinated Notes — Option to Extend Interest Payment Period," "Risk Factors — Option to Extend Interest Payment Period" and "Certain Federal Income Tax Considerations — Original Issue Discount" and "— Market Discount." Deferred installments of interest on the Series Junior Subordinated Notes will bear interest, compounded quarterly, at a rate per annum equal to the Securities Rate. The payment of such deferred interest, together with interest thereon to the extent permitted by applicable law, will be distributed to the holders of the Preferred Securities as received at the end of any Extension Period.

The Trust Securities are subject to mandatory redemption upon repayment of the Series Junior Subordinated Notes at maturity or their earlier redemption. The Series Junior Subordinated Notes are redeemable at the option of the Company (in whole or in part), from time to time, on or after , , or at any time in whole upon the occurrence of a Tax Event or Investment Company Act Event (either, a "Special Event"). The Company will have the right at any time to terminate the Trust and cause the Series Junior Subordinated Notes to be distributed to the holders of the Trust Securities in liquidation of the Trust. See "Description of the Preferred Securities — Special Event Redemption; Distribution of Series Junior Subordinated Notes." The Series Junior Subordinated Notes are subordinated and junior in right of payment to all Senior Indebtedness (as defined herein) of the Company. See "Description of the Junior Subordinated Notes — Subordination" in the accompanying Prospectus. As of September 30, 1996, Senior Indebtedness of the Company aggregated approximately $413,000,000. If the Series Junior Subordinated Notes are distributed to the holders of the Preferred Securities, the Company will use its best efforts to have the Series Junior Subordinated Notes listed on the NYSE or on such other exchange as the Preferred Securities are then listed. See "Description of the Preferred Securities — Special Event Redemption; Distribution of Series Junior Subordinated Notes" and "Description of the Series Junior Subordinated Notes."

The payment of distributions on the Preferred Securities is guaranteed by the Company under the Guarantee Agreement, but only to the extent that the Trust has funds legally and immediately available therefor (the "Guarantee"). If the Company fails to make required payments on the Series Junior Subordinated Notes, the Trust will not have sufficient funds to pay such distributions, and the Guarantee does not cover the payment of distributions when the Trust does not have sufficient funds legally available therefor. In such event, the remedy of a holder of Preferred Securities is to enforce the Series Junior Subordinated Notes. See "Description of the Series Junior Subordinated Notes" herein and "Description of the Junior Subordinated Notes" in the accompanying Prospectus. The Company's obligations under the Guarantee are subordinate and junior in right of payment to all of its other liabilities and will rank *pari passu* (equal in priority) with the most senior preferred stock of the Company. See "Description of the Guarantees" in the accompanying Prospectus. The Company has, through the Guarantee, the Subordinated Note Indenture, the Series Junior Subordinated Notes, the Trust Agreement and the Agreement as to Expenses and Liabilities, fully and unconditionally guaranteed, subject to certain subordination provisions, all the Trust's obligations with respect to the Preferred Securities.

In the event of the redemption of the Series Junior Subordinated Notes or the voluntary or involuntary dissolution, winding-up or termination of the Trust, the holders of the Preferred Securities will be entitled to receive, for each Preferred Security, a liquidation amount of $25 plus accrued and unpaid distributions thereon (including interest thereon) to the date of payment (the "Redemption Price"), unless in connection with such dissolution, winding-up or termination, the Series Junior Subordinated Notes are distributed to the holders of the Preferred Securities. See "Description of the Preferred Securities — Liquidation Distribution Upon Dissolution."

The Preferred Securities initially will be represented by a global certificate or certificates registered in the name of The Depository Trust Company ("DTC") or its nominee. Beneficial interests in the Preferred Securities will be shown on, and transfers thereof will be effected only through, records maintained by Participants (as defined herein) in DTC. Except as described herein, Preferred Securities in certificated form will not be issued in exchange for the global certificates. See "Description of the Preferred Securities — Book-Entry Only Issuance — The Depository Trust Company."

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SECURITIES OFFERED HEREBY AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH TRANSACTIONS MAY BE EFFECTED ON THE NYSE, IN THE OVER THE COUNTER MARKET OR OTHERWISE. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

SUMMARY OF OFFERING

The following summary is qualified in its entirety by reference to the detailed information appearing elsewhere in this Prospectus Supplement and in the accompanying Prospectus. Capitalized terms not otherwise defined shall have the meanings assigned in the Glossary.

The Company	The Company is a corporation organized under the laws of the State of Maine on November 2, 1925, and admitted to do business in Florida on January 15, 1926, in Mississippi on October 25, 1976 and in Georgia on November 20, 1984. The Company has its principal office at 500 Bayfront Parkway, Pensacola, Florida 32501, telephone (904) 444-6111. The Company is a wholly owned subsidiary of The Southern Company. The Company is a regulated public utility engaged in the generation, transmission, distribution and sale of electric energy within an approximately 7,400 square mile service area within the northwestern portion of the State of Florida.
The Trust	Gulf Power Capital Trust is a statutory business trust created under Delaware law solely for the purpose of holding the Company's Series Junior Subordinated Notes and issuing Preferred Securities and Common Securities evidencing the entire beneficial interest therein (and engaging in activities necessary, appropriate, convenient or incidental thereto).
The Trustees	The Chase Manhattan Bank will act as property trustee (the "Property Trustee") of the Trust. Two officers of the Company also will act as trustees (the "Administrative Trustees") of the Trust. Chase Manhattan Bank Delaware will be an additional trustee (the "Delaware Trustee") of the Trust. The Chase Manhattan Bank also will act as trustee (the "Indenture Trustee") under the Subordinated Note Indenture pursuant to which the Series Junior Subordinated Notes will be issued and will act as trustee under the Guarantee (the "Guarantee Trustee"). The Property Trustee, Delaware Trustee and Administrative Trustees are sometimes referred to as the "Securities Trustees."
Preferred Securities Offered.....	The Trust will offer Preferred Securities evidencing preferred undivided beneficial interests in the assets of the Trust. Holders of the Preferred Securities are entitled to receive cumulative cash distributions at the Securities Rate, accruing from the date of original issuance and payable quarterly in arrears on March 31, June 30, September 30 and December 31 of each year, commencing on , (each, a "Distribution Date"). The Securities Rate and the Distribution Dates for the Preferred Securities will correspond to the interest rate and payment dates on the Series Junior Subordinated Notes, which will constitute substantially all the assets of the Trust. As a result, if principal or interest is not paid on the Series Junior Subordinated Notes, no amounts will be paid on the Preferred Securities. See "Description of the Preferred Securities" herein.
Record Date...	The record date for each Distribution Date will be the close of business on the 15th calendar day prior to such Distribution Date.

Series Junic. Subordinated Notes	The Trust will invest the proceeds from the issuance of the Preferred Securities and Common Securities in an equivalent amount of Series % junior subordinated deferrable interest notes due . The Series Junior Subordinated Notes will be subordinate and junior in right of payment to all indebtedness for borrowed money and other obligations of the Company included in the definition of Senior Indebtedness. See "Description of the Junior Subordinated Notes — Subordination" in the accompanying Prospectus.
Guarantee	The payment of distributions on the Preferred Securities is guaranteed by the Company under the Guarantee, but only to the extent the Trust has funds legally and immediately available to make such distributions. If the Company does not make principal or interest payments on the Series Junior Subordinated Notes, the Trust will not have sufficient funds to make distributions on the Preferred Securities, in which event the Guarantee will not apply to such distributions until the Trust has sufficient funds legally available therefor. The obligations of the Company under the Guarantee will be subordinate and junior in right of payment to all other liabilities of the Company and will rank *pari passu* with the most senior preferred stock issued by the Company. See "Risk Factors — Ranking of and Rights Under the Guarantee" herein and "Description of the Guarantees" in the accompanying Prospectus. The Company has, through the Guarantee, the Subordinated Note Indenture, the Series Junior Subordinated Notes, the Trust Agreement and the Agreement as to Expenses and Liabilities, fully and unconditionally guaranteed, subject to certain subordination provisions, all the Trust's obligations with respect to the Preferred Securities.
Interest Deferral	The Company has the right to defer payments of interest on the Series Junior Subordinated Notes by extending the interest payment period on the Series Junior Subordinated Notes, at any time and from time to time, for up to 20 consecutive quarters (each, an "Extension Period"). The only restrictions on the Company's ability to defer payments of interest are that during the Extension Period the Company may not (i) pay dividends on or redeem any of its capital stock or (ii) pay principal or interest on any debt securities ranking *pari passu* with or subordinate to the Series Junior Subordinated Notes. There could be multiple Extension Periods of varying lengths throughout the term of the Series Junior Subordinated Notes. If interest payments on the Series Junior Subordinated Notes are deferred, distributions on the Preferred Securities will also be deferred. During an Extension Period, holders of Preferred Securities will be required to include income in the form of OID in their gross income for federal income tax purposes in advance of the receipt of the cash payments attributable to such deferred interest. See "Description of the Series Junior Subordinated Notes — Option to Extend Interest Payment Period" and "Certain Federal Income Tax Considerations — Original Issue Discount" and "— Market Discount." Deferred interest will bear interest to the extent permitted by applicable law, com-

pounded quarterly, at a rate per annum equal to the Securities Rate from the date of deferral to the date of payment.

Redemption; Distribution ..... The Preferred Securities are subject to mandatory redemption upon repayment of the Series Junior Subordinated Notes at maturity or their earlier redemption. The Series Junior Subordinated Notes are redeemable by the Company (in whole or in part), from time to time on or after , or at any time in whole upon the occurrence of a Special Event. If a partial redemption of the Series Junior Subordinated Notes would result in the delisting of the Preferred Securities, the Company may only redeem the Series Junior Subordinated Notes in whole. Any partial redemption of the Series Junior Subordinated Notes will be effected by the redemption of an equivalent amount of Trust Securities, to be allocated approximately 97% to the Preferred Securities and 3% to the Common Securities. See "Description of the Preferred Securities — Redemption" and "— Special Event Redemption; Distribution of Series Junior Subordinated Notes."

The Company will have the right at any time to terminate the Trust and cause the Series Junior Subordinated Notes to be distributed to the holders of the Preferred Securities in liquida... .. .e Trust. This right is optional and wholly within the discretion of the Company. Circumstances under which the Company may determine to exercise such right could include the occurrence of an Investment Company Act Event or a Tax Event, adverse tax consequences to the Company or the Trust that are not within the definition of a Tax Event because they do not result from an amendment or change described in such definition, and changes in the accounting requirements applicable to the Preferred Securites as described under "Accounting Treatment." See "Description of the Preferred Securities — Special Event Redemption; Distribution of Series Junior Subordinated Notes."

Special Event..... A Special Event means a Tax Event or an Investment Company Act Event. A "Tax Event" means that the Administrative Trustees and the Company shall have received an opinion from independent tax counsel experienced in such matters (which may be counsel to the Company) to the effect that, as a result of (a) any amendment to, or change (including any announced prospective change) in, the laws (or any regulations thereunder) of the United States or any political subdivision or taxing authority thereof or therein or (b) any amendment to, or change in, an interpretation or application of such laws or regulations, there is more than an insubstantial risk that (i) the Trust would be subject to United States federal income tax with respect to income accrued or received on the Series Junior Subordinated Notes, (ii) interest payable to the Trust on the Series Junior Subordinated Notes would not be deductible by the Company for United States federal income tax purposes, or (iii) the Trust would be subject to more than a *de minimis* amount of other taxes, duties or other governmental charges, which change or amendment becomes effective on or after the Issue Date. An "Investment Company Act Event" means that the Administrative Trustees and the Company shall have received an opinion of independent counsel (which may be counsel to the Company) to the effect that, as a result of a change in law or

regulation or a written change in interpretation or application of law or regulation by any legislative body, court, governmental agency or regulatory authority after the Issue Date, there is more than an insubstantial risk that the Trust is or will be considered an investment company under the Investment Company Act of 1940, as amended (the "1940 Act").

Redemption Price ..... In the event of the redemption of the Trust Securities or other termination of the Trust without distribution of the Series Junior Subordinated Notes, each Preferred Security shall be entitled to receive a liquidation amount of $25 plus accrued and unpaid distributions thereon (including interest thereon) to the date of payment.

RISK FACTORS

Prospective purchasers of Preferred Securities should carefully review the information contained elsewhere in this Prospectus Supplement and in the accompanying Prospectus and should consider particularly the following matters:

Ranking of and Rights Under the Series Junior Subordinated Notes

No amounts will be available to make payments on the Preferred Securities except from payments made on the Series Junior Subordinated Notes. The obligations of the Company under the Series Junior Subordinated Notes are subordinate and junior in right of payment to all present and future Senior Indebtedness of the Company. At September 30, 1996, Senior Indebtedness of the Company aggregated approximately $413,000,000. There are no terms in the Preferred Securities, the Series Junior Subordinated Notes or the Guarantee that limit the Company's ability to incur additional indebtedness including indebtedness that ranks senior to the Series Junior Subordinated Notes. See "Description of the Guarantees" and "Description of the Junior Subordinated Notes — Subordination" in the accompanying Prospectus.

Ranking of and Rights Under the Guarantee

The Company's obligations under the Guarantee are subordinate and junior in right of payment to all liabilities of the Company and will be *pari passu* with the most senior preferred stock issued by the Company. If the Company were to default in its obligation to pay amounts payable on the Series Junior Subordinated Notes, the Trust would lack available funds for the payment of distributions or amounts payable on redemption of the Preferred Securities or otherwise, and in such event holders of the Preferred Securities would not be able to rely upon the Guarantee for payment of such amounts.

Option to Extend Interest Payment Period

The Company has the right under the Subordinated Note Indenture, and at any time, and from time to time, to defer payments of interest on the Series Junior Subordinated Notes for a period of up to 20 consecutive quarters (each, an "Extension Period"), but not beyond the stated maturity of the Series Junior Subordinated Notes. Prior to the termination of any Extension Period, the Company may further defer payments of interest, *provided* that such Extension Period, together with all such previous and further extensions thereof, may not exceed 20 consecutive quarters. Upon the termination of any Extension Period and the payment of all amounts then due, the Company may select a new Extension Period, subject to the above requirements. There could be multiple Extension Periods of varying lengths throughout the term of the Series Junior Subordinated Notes. Deferred installments of interest on the Series Junior Subordinated Notes will bear interest to the extent permitted by applicable law, compounded quarterly, at a rate per annum equal to the Securities Rate. The payment of such deferred interest, together with interest thereon, will be passed through to the holders of the Preferred Securities as received at the end of any Extension Period.

The only restrictions on the Company's ability to defer payments of interest are that during any Extension Period the Company may not (i) pay dividends on or redeem any of its capital stock or (ii) pay principal or interest on any debt securities ranking *pari passu* with or subordinate to the Series Junior Subordinated Notes. See "Description of the Preferred Securities — Distributions" and "Description of the Series Junior Subordinated Notes — Option to Extend Interest Payment Period."

Should the Company exercise its rights to defer payments of interest, each holder of Preferred Securities will be required to include income in the form of OID in their gross income for United States federal income tax purposes in respect of the deferred interest allocable to its Preferred Securities. As a result, holders of Preferred Securities will recognize income for United States federal income tax purposes in advance of the receipt of cash and will not receive the cash from the Trust related to such income if such holders dispose of their Preferred Securities prior to the record date for the date on which distributions of such amounts are made. See "Certain Federal Income Tax Considerations — Original Issue Discount" and "— Sale of

Pref red Securities." **Investors should consult with their own tax advisors with respect to the tax consequences of an investment in the Preferred Securities.**

The Company has no current intention of exercising its right to defer payments of interest by extending the interest payment period on the Series Junior Subordinated Notes. However, should the Company determine to exercise such right in the future, the market price of the Preferred Securities is likely to be affected. A holder that disposes of its Preferred Securities during an Extension Period, therefore, mig. . not receive the same return on its investment as a holder that continues to hold its Preferred Securities. In addition, as a result of the existence of the Company's right to defer interest payments, the market price of the Preferred Securities (which represent an undivided beneficial interest in the Series Junior Subordinated Notes) may be more volatile than other similar securities that do not have such rights.

Special Event Redemption; Distribution of Series Junior Subordinated Notes

If a Special Event shall occur and be continuing, the Company will have the option to redeem the Series Junior Subordinated Notes in cash (with the result that the Preferred Securities shall be redeemed). In addition, the Company will have the right at any time to terminate the Trust and cause the Series Junior Subordinated Notes to be distributed to the holders of the Trust Securities in liquidation of the Trust. See "Description of the Preferred Securities Special Event Redemption; Distribution of Series Junior Subordinated Notes."

There can be no assurance as to the market price for the Series Junior Subordinated Notes that may be distributed in exchange for Preferred Securities if a termination or liquidation of the Trust were to occur. Accordingly, the Series Junior Subordinated Notes that the investor may receive on termination and liquidation of the Trust may trade at a discount to the price that the investor paid to purchase the Preferred Securities offered hereby. See "Description of the Series Junior Subordinated Notes."

Possible Tax Law Changes

On March 19, 1996, the Revenue Reconciliation Bill of 1996 (the "Bill"), the revenue portion of President Clinton's 1996 budget proposal, was released. The Bill would, among other things, generally deny interest deductions for interest on an instrument, issued by a corporation, that has a maximum term of more than 20 years and that is not shown as indebtedness on the separate balance sheet of the issuer or, where the instrument is issued to a related party (other than a corporation), where the holder or some other related party issues a related instrument that is not shown as indebtedness on the issuer's consolidated balance sheet. The above-described provisions of the Bill were proposed to be effective generally for instruments issued on or after December 7, 1995. If such provisions were to apply to the Series Junior Subordinated Notes, the Company would be unable to deduct interest on the Series Junior Subordinated Notes. However, on March 29, 1996, the Chairmen of the Senate Finance and House Ways and Means Committees issued a joint statement to the effect that it was their intention that the effective date of the President's legislative proposals, if adopted, will be no earlier than the date of appropriate Congressional action. The Company believes that, under current law, it will be able to deduct interest on the Series Junior Subordinated Notes. There can be no assurance, however, that current or future legislative proposals or final legislation will not affect the ability of the Company to deduct interest on the Series Junior Subordinated Notes. Such a change could give rise to a Tax Event, which would permit the Company to cause a redemption of the Preferred Securities, as described more fully under "Description of the Preferred Securities — Special Event Redemption; Distribution of Series Junior Subordinated Notes."

Limited Voting Rights

Holders of Preferred Securities will have limited voting rights and, except for the rights of holders of Preferred Securities to appoint a Substitute Property Trustee upon the occurrence of certain events described herein, will not be entitled to vote to appoint, remove or replace the Securities Trustees, which voting rights are vested exclusively in the holder of the Common Securities.

Trading Characteristics of Preferred Securities

The Preferred Securities are expected to be listed on the NYSE, subject to official notice of issuance. Accordingly, the Preferred Securities are expected to trade at a price that takes into account the value, if any, of accrued but unpaid distributions; thus, purchasers will not pay and sellers will not receive accrued and unpaid interest with respect to the Preferred Securities that is not included in the trading price thereof. If a Preferred Security is disposed of prior to the occurrence of an Extension Period, any portion of the amount received that is attributable to accrued interest will be treated as interest to a U.S. Holder for tax purposes and will not be treated as part of the amount realized for purposes of determining gain or loss on the disposition of the Preferred Security. If an Extension Period occurs, interest on the Series Junior Subordinated Notes will be included in the gross income of U.S. holders of Preferred Securities as it accrues rather than when it is paid. Should an Extension Period occur, a holder who disposes of his Preferred Securities between record dates for payments of distributions thereon would be required to include accrued but unpaid interest on the Series Junior Subordinated Notes through the date of disposition in income as OID, and to add such amount to his adjusted tax basis in his pro rata share of the related Series Junior Subordinated Notes deemed disposed of. To the extent the selling price is less than the holder's adjusted tax basis, a holder generally will recognize a capital loss. Subject to certain limited exceptions capital losses cannot be applied to offset ordinary income for United States federal income tax purposes. See "Certain Federal Income Tax Considerations — Original Issue Discount" and "— Sale of Preferred Securities."

The trading price of the Preferred Securities is likely to be sensitive to the level of interest rates generally. If interest rates rise in general, the trading price of the Preferred Securities may decline to reflect the additional yield requirements of the purchasers. Conversely, a decline in interest rates may increase the trading price of the Preferred Securities, although any increase will be moderated by the Company's ability to call the Series Junior Subordinated Notes at any time on or after at a redemption price equal to 100% of the principal amount to be redeemed plus accrued but unpaid interest. In addition, because holders of Preferred Securities will be paid only from payments on the Series Junior Subordinated Notes and may receive Series Junior Subordinated Notes upon the termination of the Trust, prospective purchasers of Preferred Securities are making an investment decision with regard to the Series Junior Subordinated Notes and should carefully review all the information regarding the Series Junior Subordinated Notes contained herein. See "Description of the Preferred Securities — Special Event Redemption; Distribution of Series Junior Subordinated Notes" and "Description of the Series Junior Subordinated Notes."

GULF POWER CAPITAL TRUST [ ]

The Trust is a statutory business trust created under Delaware law pursuant to the filing of a certificate of trust with the Delaware Secretary of State on December 26, 1996. The Trust's business is defined in a trust agreement, executed by the Company, as Depositor, and the Delaware Trustee thereunder. This trust agreement will be amended and restated in its entirety on the Issue Date substantially in the form filed as an exhibit to the Registration Statement of which this Prospectus Supplement and the accompanying Prospectus form a part (the "Trust Agreement"). The Trust Agreement will be qualified as an indenture under the Trust Indenture Act of 1939, as amended (the "1939 Act"). The Trust exists for the exclusive purposes of (i) issuing the Trust Securities representing undivided beneficial interests in the assets of the Trust, (ii) investing the gross proceeds of the Trust Securities in the Series Junior Subordinated Notes, and (iii) engaging in only those other activities necessary, appropriate, convenient or incidental thereto. The Trust has a term of approximately years, but may terminate earlier as provided in the Trust Agreement.

Upon issuance of the Preferred Securities, the purchasers thereof will own all of the Preferred Securities. The Company will acquire all of the Common Securities, which will have an aggregate liquidation amount equal to approximately 3% of the total capital of the Trust. The Common Securities will rank *pari passu*, and payments will be made thereon pro rata, with the Preferred Securities, except that upon the occurrence and continuance of a Subordinated Note Indenture Event of Default, the rights of the holders of Common Securities to payment in respect of distributions and payments upon liquidation, redemption and otherwise will be subordinated to the rights of the holders of the Preferred Securities.

Tl Trust's business and affairs will be conducted by the Securities Trustees, which shall be appointed by the Company as the holder of the Common Securities. Two officers of the Company initially will serve as Administrative Trustees. The Chase Manhattan Bank will serve as Property Trustee and will hold legal title to the Series Junior Subordinated Notes issued by the Company on behalf of the Trust and the holders of the Trust Securities. Chase Manhattan Bank Delaware will serve as Delaware Trustee. In certain circumstances, the holders of a majority in liquidation amount of the Preferred Securities will be entitled to appoint a Substitute Property Trustee. See "Description of the Preferred Securities — Voting Rights."

The Property Trustee will hold legal title to the Series Junior Subordinated Notes for the benefit of the Trust and the holders of the Trust Securities and will have the power to exercise all rights, powers and privileges under the Subordinated Note Indenture as the holder of the Series Junior Subordinated Notes. The Property Trustee will make payments of distributions and payments on liquidation, redemption and otherwise to the holders of the Trust Securities. Subject to the right of the holders of the Preferred Securities to appoint a Substitute Property Trustee in certain instances, the Company, as the holder of all the Common Securities, will have the right to appoint, remove or replace all the Securities Trustees.

The Series Junior Subordinated Notes will constitute substantially all of the assets of the Trust. Other assets that may constitute "Trust Property" (as that term is defined in the Trust Agreement) include any cash on deposit in, or owing to, the payment account as established under the Trust Agreement, as well as any other property or assets held by the Property Trustee pursuant to the Trust Agreement. In addition, the Trust may, from time to time, receive cash pursuant to the Agreement as to Expenses and Liabilities.

The rights of the holders of the Preferred Securities, including economic rights, rights to information and voting rights, are as set forth in the Trust Agreement, the Delaware Business Trust Act, and the 1939 Act. See "Description of the Preferred Securities."

The Trust's registered office in the State of Delaware is c/o Chase Manhattan Bank Delaware, 1201 Market Street, Wilmington, Delaware 19801. The principal place of business of the Trust shall be c/o the Company, 500 Bayfront Parkway, Pensacola, Florida 32501, telephone (904) 444-6111, Attn: Treasurer.

CAPITALIZATION

The following table sets forth the capitalization of the Company as of September 30, 1996, and as adjusted to reflect the issuances described in note (2) below. The following data is qualified in its entirety by reference to and, therefore, should be read together with the detailed information and financial statements appearing in the documents incorporated herein by reference. See also "Selected Information" in the accompanying Prospectus.

	As of September 30, 1996		
	Actual	As Adjusted(2)	
	(Thousands, except percentages)		
Common Stock Equity	$446,672	$ 446,672	42.8%
Cumulative Preferred Stock	89,602	45,102	4.3
Company Obligated Mandatorily Redeemable Preferred or Capital Securities of Subsidiary Trusts Holding Company Junior Subordinated Notes(1)	—	60,000	5 7
Long-Term Debt	331,871	492,371	47.2
Total, excluding amounts due within one year	$868,145	$1,044,145	100.0%

(1) As described herein and in the accompanying Prospectus, substantially all of the assets of the respective Trusts will be Junior Subordinated Notes of the Company with an aggregate principal amount not exceeding $61,900,000, and upon redemption of such debt, the related Securities will be mandatorily redeemable.

(2) R ..ects (i) the proposed issuance of $15,000,000 of new Cumulative Preferred Stock and $160,500,000 of new First Mortgage Bonds covered by previous shelf registration filings, (ii) the proposed issuance of $60,000,000 of new Securities covered by the accompanying Prospectus, and (iii) the proposed redemption of $59,500,000 of Cumulative Preferred Stock.

ACCOUNTING TREATMENT

For financial reporting purposes, the Trust will be treated as a subsidiary of the Company ..d, accordingly, the accounts of the Trust will be included in the consolidated financial statements of the Company. The Preferred Securities will be presented as a separate line item in the consolidated balance sheet of the Company, and appropriate disclosures concerning the Preferred Securities, the Guarantee and the Series Junior Subordinated Notes will be included in the notes to the consolidated financial statements. For financial reporting purposes, the Company will record distributions payable on the Preferred Securities as an expense.

DESCRIPTION OF THE PREFERRED SECURITIES

The Preferred Securities will be issued pursuant to the terms of the Trust Agreement. The Trust Agreement will be qualified as an indenture under the 1939 Act. The Property Trustee will act as the indenture trustee with respect to the Trust, as well as the Guarantee, for purposes of compliance with the provisions of the 1939 Act. The terms of the Preferred Securities will include those stated in the Trust Agreement, the Delaware Business Trust Act, and those made part of the Trust Agreement by the 1939 Act. The following summary of the principal terms and provisions of the Preferred Securities does not purport to be complete and is subject to, and qualified in its entirety by reference to, the Trust Agreement, the form of which is filed as an exhibit to the Registration Statement of which this Prospectus Supplement and the accompanying Prospectus are a part, as well as the 1939 Act.

General

The Trust Agreement authorizes the Administrative Trustees, on behalf of the Trust to issue the Preferred Securities, which represent preferred undivided beneficial interests in the assets of the Trust, and the Common Securities, which represent common undivided beneficial interests in the assets of the Trust. All of the Common Securities will be owned by the Company. The Common Securities rank *pari passu*, and payments will be made thereon on a pro rata basis, with the Preferred Securities, except that upon the occurrence of a Subordinated Note Indenture Event of Default, the rights of the holders of the Common Securities to receive payment of periodic distributions and payments upon liquidation, redemption and otherwise will be subordinated to the rights of the holders of the Preferred Securities. The Trust Agreement does not permit the issuance by the Trust of any securities other than the Trust Securiti or the incurrence of any indebtedness by the Trust. Pursuant to the Trust Agreement, the Property Trustee will own and hold the Series Junior Subordinated Notes for the benefit of the Trust and the holders of the Trust Securities. The payment of distributions out of money held by the Trust, and payments upon redemption of the Preferred Securities or liquidation of the Trust, are guaranteed by the Company on a subordinated basis as and to the extent described under "Description of the Guarantees" in the accompanying Prospectus. The Guarantee does not cover payment of distributions on the Preferred Securities when the Trust does not have legally and immediately available funds sufficient to make such distributions. In such event, the remedy of a holder of Preferred Securities is to direct the Property Trustee to enforce its rights under the Series Junior Subordinated Notes. If the Property Trustee fails to enforce its rights under the Series Junior Subordinated Notes, a holder of Preferred Securities may, to the fullest extent permitted by applicable law, institute a legal proceeding directly against the Company to enforce its rights under the Trust Agreement without first instituting any legal proceeding against the Property Trustee or the Trust. In addition, a holder of Preferred Securities may institute a legal proceeding directly against the Company, without first instituting a legal proceeding against the Property Trustee or any other person or entity, for enforcement of payment to such holder of principal of or interest on the Series Junior Subordinated Notes having a principal amount equal to

the aggregate stated liquidation amount of the Preferred Securities of such holder on or after the due dates specified in the Series Junior Subordinated Notes. The above mechanisms and obligations, together with the Company's obligations under the Agreement as to Expenses and Liabilities, constitute a full and unconditional guarantee by the Company of payments due on the Preferred Securities. See "— Voting Rights" below.

Distributions

Distributions on the Preferred Securities will be fixed at the Securities Rate and will accrue from the Issue Date and, except in the event of an Extension Period, will be payable quarterly in arrears on March 31, June 30, September 30 and December 31 of each year. In the event that any date on which distributions are to be made on the Preferred Securities is not a Business Day, then payment of the distributions payable on such date will be made on the next succeeding day that is a Business Day (and without any interest or other payment in respect of any such delay) except that, if such Business Day is in the next succeeding calendar year, such payment shall be made on the immediately preceding Business Day, in each case with the same force and effect as if made on such date. A "Business Day" shall mean any day other than a Saturday or Sunday, a day on which banks in New York City are authorized or obligated by law or executive order to remain closed or a day on which the principal corporate trust office of the Property Trustee or the Indenture Trustee is closed for business.

Distributions payable on any Distribution Date will be payable to the holders of record on the Record Date for such Distribution Date, which is the close of business on the fifteenth calendar day preceding such Distribution Date. Subject to any applicable laws and regulations and the provisions of the Trust Agreement, each such payment will be made as described under "— Book-Entry Only Issuance — The Depository Trust Company" below. The amount of distributions payable for any period will be computed on the basis of a 360-day year of twelve 30-day months.

The Company has the right under the Subordinated Note Indenture to defer payments of interest on the Series Junior Subordinated Notes by extending the interest payment period from time to time on the Series Junior Subordinated Notes (each, an "Extension Period") which, if exercised, would defer quarterly distributions on the Preferred Securities during any such extended interest payment period. Deferred installments of interest on the Series Junior Subordinated Notes will bear interest, compounded quarterly, at a rate per annum equal to the Securities Rate. If distributions are deferred, the deferred distributions and accrued interest thereon shall be paid, if funds are legally available therefor, to holders of record of the Preferred Securities as they appear on the books and records of the Trust on the Record Date next following the termination of such Extension Period. See "Description of the Series Junior Subordinated Notes — Interest" and "— Option to Extend Interest Payment Period."

Distributions on the Preferred Securities must be paid on the Distribution Dates to the extent that the Trust has funds legally and immediately available for the payment of such distributions. The Trust's funds available for distribution to the holders of the Preferred Securities will be limited to payments received under the Series Junior Subordinated Notes. See "Description of the Series Junior Subordinated Notes."

Redemption

The Preferred Securities are subject to mandatory redemption upon repayment of the Series Junior Subordinated Notes at maturity or their earlier redemption. The Series Junior Subordinated Notes will mature on , and may be redeemed, in whole or in part, at the option of the Company, at any time on or after , or at any time in whole upon the occurrence of a Special Event. Upon the repayment of the Series Junior Subordinated Notes, whether at maturity or upon redemption, the proceeds from such repayment or payment shall simultaneously be applied to redeem a like amount of Trust Securities upon not less than 30 nor more than 60 days' notice, at the Redemption Price (as defined below). See "Description of the Series Junior Subordinated Notes — Optional Redemption." If a partial redemption of the Series Junior Subordinated Notes would result in the delisting of the Preferred Securities, the Company may only redeem the Series Junior Subordinated Notes in whole. In the event that fewer than all of the outstanding Trust Securities are to be redeemed, the Preferred Securities to be redeemed will be selected as

described under "— Book-Entry Only Issuance — The Depository Trust Company" below. If the Preferred Securities are no longer in book-entry only form, the Preferred Securities to be redeemed will be selected by such method as the Property Trustee shall deem fair and appropriate and which may provide for the selection for redemption of portions (equal to $25 or integral multiples thereof) of the aggregate liquidation amount of Preferred Securities of a denomination larger than $25; provided, however, that before undertaking the redemption of the Preferred Securities on other than a pro rata basis, the Property Trustee shall have received an opinion of counsel that the status of the Trust as a grantor trust for federal income tax purposes would not be adversely affected.

The Redemption Price for each Preferred Security shall equal the stated liquidation amount of $25 plus accrued and unpaid distributions thereon to the date of payment.

Special Event Redemption; Distribution of Series Junior Subordinated Notes

Upon the occurrence of a Special Event at any time, the Company will have the option to redeem the Series Junior Subordinated Notes in whole (and thus cause the redemption of the Preferred Securities in whole). A Special Event is either an Investment Company Act Event or a Tax Event.

An "Investment Company Act Event" means that the Administrative Trustees and the Company shall have received an opinion of independent counsel (which may be counsel to the Company) to the effect that, as a result of a change in law or regulation or a written change in interpretation or application of law or regulation by any legislative body, court, governmental agency or regulatory authority after the Issue Date, there is more than an insubstantial risk that the Trust is or will be considered an investment company under the 1940 Act.

"Tax Event" means that the Administrative Trustees and the Company shall have received an opinion from independent tax counsel experienced in such matters (which may be counsel to the Company) to the effect that, as a result of (a) any amendment to, or change (including any announced prospective change) in, the laws (or any regulations thereunder) of the United States or any political subdivision or taxing authority thereof or therein or (b) any amendment to, or change in, an interpretation or application of such laws or regulations, there is more than an insubstantial risk that (i) the Trust would be subject to United States federal income tax with respect to income accrued or received on the Series Junior Subordinated Notes, (ii) interest payable to the Trust on the Series Junior Subordinated Notes would not be deductible by the Company for United States federal income tax purposes or (iii) the Trust would be subject to more than a *de minimis* amount of other taxes, duties or other governmental charges, which change or amendment becomes effective on or after the Issue Date. See "Risk Factors — Possible Tax Law Changes."

The Company will have the right at any time to terminate the Trust and, after satisfaction of liabilities to creditors of the Trust, if any, cause the Series Junior Subordinated Notes to be distributed to the holders of the Trust Securities in liquidation of the Trust. See "— Liquidation Distribution Upon Dissolution" below. This right is optional and wholly within the discretion of the Company. Circumstances under which the Company may determine to exercise such right could include the occurrence of an Investment Company Act Event or a Tax Event, adverse tax consequences to the Company or the Trust that are not within the definition of a Tax Event because they do not result from an amendment or change described in such definition, and changes in the accounting requirements applicable to the Preferred Securities as described under "Accounting Treatment."

If Series Junior Subordinated Notes are distributed to the holders of the Preferred Securities, the Company will use its best efforts to have the Series Junior Subordinated Notes listed on the NYSE or on such other exchange as the Preferred Securities are then listed. After the date for any distribution of Series Junior Subordinated Notes upon termination of the Trust, (i) the Preferred Securities and the Guarantee will no longer be deemed to be outstanding, (ii) the depositary or its nominee, as the record holder of the Preferred Securities, will receive a registered global certificate or certificates representing the Series Junior Subordinated Notes to be delivered upon such distribution and (iii) any certificates representing Preferred Securities and the Guarantee not held by the depositary or its nominee will be deemed to represent Series Junior Subordinated Notes having an aggregate principal amount equal to the aggregate stated liquidation

amount of, with an interest rate identical to the Securities Rate of, and accrued and unpaid interest equal to accrued and unpaid distributions on, such Preferred Securities, until such certificates are presented to the Company or its agent for transfer or reissuance.

There can be no assurance as to the market prices for the Preferred Securities or the Series Junior Subordinated Notes that may be distributed in exchange for the Preferred Securities if a termination and liquidation of the Trust were to occur. Accordingly, the Preferred Securities that an investor may purchase, or the Series Junior Subordinated Notes that the investor may receive on termination and liquidation of the Trust, may trade at a discount to the price that the investor paid to purchase the Preferred Securities offered hereby.

Redemption Procedures

In the event that fewer than all of the Trust Securities are to be redeemed, then the aggregate liquidation amount of the Trust Securities to be redeemed shall be allocated 97% to the Preferred Securities and 3% to the Common Securities.

The Preferred Securities redeemed on each redemption date shall be redeemed at the Redemption Price with the proceeds from the contemporaneous redemption of the Series Junior Subordinated Notes. The Redemption Price of Preferred Securities shall be deemed payable on each redemption date only to the extent that the Trust has funds legally and immediately available for payment of such Redemption Price.

If the Property Trustee gives a notice of redemption in respect of Preferred Securities (which notice will be irrevocable), then, by 2:00 P.M., New York City time, on the redemption date, subject to the immediately preceding paragraph, the Property Trustee will irrevocably deposit with the securities depositary, so long as the Preferred Securities are in book-entry only form, sufficient funds to pay the applicable Redemption Price. See "— Book-Entry Only Issuance — The Depository Trust Company" below. If the Preferred Securities are no longer in book-entry only form, the Property Trustee, subject to the immediately preceding paragraph, shall irrevocably deposit with the Paying Agent funds sufficient to pay the applicable Redemption Price and will give the Paying Agent irrevocable instructions to pay the Redemption Price to the holders thereof upon surrender of their Preferred Securities certificates. If notice of redemption shall have been given and funds deposited as required, then immediately prior to the close of business on the date of such deposit, distributions will cease to accrue and all rights of holders of such Preferred Securities so called for redemption will cease, except the right of the holders of such Preferred Securities to receive the Redemption Price, but without interest on such Redemption Price. In the event that any date fixed for redemption of Preferred Securities is not a Business Day, then payment of the Redemption Price payable on such date will be made on the next succeeding day which is a Business Day (and without any interest or other payment in respect of any such delay), except that, if such Business Day falls in the next calendar year, such payment will be made on the immediately preceding Business Day. In the event that payment of the Redemption Price in respect of Preferred Securities is improperly withheld or refused and not paid either by the Trust or by the Company pursuant to the Guarantee, distributions on such Preferred Securities will continue to accrue at the then applicable rate, from such redemption date originally established by the Trust for such Preferred Securities to the date such Redemption Price is actually paid. See "— Events of Default" below, "Relationship Among the Preferred Securities, the Series Junior Subordinated Notes and the Guarantee" and "Description of the Guarantees — Events of Default" in the accompanying Prospectus.

Subject to the foregoing and to applicable law (including, without limitation, United States federal securities laws), the Company or its affiliates may, at any time and from time to time, purchase outstanding Preferred Securities by tender, in the open market or by private agreement.

Book-Entry Only Issuance — The Depository Trust Company

The Depository Trust Company ("DTC") will act as the initial securities depositary for the Preferred Securities. The Preferred Securities will be issued only as fully registered securities registered in the name of Cede & Co. DTC's nominee. One or more fully registered global Preferred Securities certificates will be issued, representing in the aggregate the total number of Preferred Securities, and will be deposited with DTC.

DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the 1934 Act. DTC holds securities that its participants ("Participants") deposit with DTC. DTC also facilitates the settlement among Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in Participants' accounts, thereby eliminating the need for physical movement of securities certificates. Direct Participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations ("Direct Participants"). DTC is owned by a number of its Direct Participants and by the NYSE, the American Stock Exchange, Inc., and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as securities brokers and dealers, banks and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The rules applicable to DTC and its Participants are on file with the Commission.

Purchases of Preferred Securities within the DTC system must be made by or through Direct Participants, which will receive a credit for the Preferred Securities on DTC's records. The ownership interest of each actual purchaser of Preferred Securities ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchases, but Beneficial Owners are expected to receive written confirmations providing details of the transactions, as well as periodic statements of their holdings, from the Direct or Indirect Participants through which the Beneficial Owners purchased Preferred Securities. Transfers of ownership interests in the Preferred Securities are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Preferred Securities, except in the event that use of the book-entry system for the Preferred Securities is discontinued.

DTC has no knowledge of the actual Beneficial Owners of the Preferred Securities. DTC's records reflect only the identity of the Direct Participants to whose accounts such Preferred Securities are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all of the Preferred Securities are being redeemed, DTC will reduce the amount of the interest of each Direct Participant in the Preferred Securities in accordance with its procedures.

Although voting with respect to the Preferred Securities is limited, in those cases where a vote is required, neither DTC nor Cede & Co. will itself consent or vote with respect to Preferred Securities. Under its usual procedures, DTC would mail an Omnibus Proxy to the Trust as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Preferred Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Distribution payments on the Preferred Securities will be made to DTC. DTC's practice is to credit Direct Participants' accounts on the relevant payment date in accordance with their respective holdings shown on DTC's records unless DTC has reason to believe that it will not receive payments on such payment date. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the account of customers registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trust, any trustee or the Company, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of distributions to DTC is the responsibility of the Trust, disbursement of such payments to Direct Participants is the responsibility of

DTC, and disbursement of such payments to the Beneficial Owners is the responsibility of Direct and Indirect Participants.

Except as provided herein, a Beneficial Owner in a global Preferred Security will not be entitled to receive physical delivery of Preferred Securities. Accordingly, each Beneficial Owner must rely on the procedures of DTC to exercise any rights under the Preferred Securities. The laws of some jurisdictions require that certain purchasers of securities take physical delivery of securities in definitive form. Such laws may impair the ability to transfer beneficial interests in a global Preferred Security.

DTC may discontinue providing its services as securities depositary with respect to the Preferred Securities at any time by giving reasonable notice to the Trust. Under such circumstances, in the event that a successor securities depositary is not obtained, Preferred Securities certificates will be printed and delivered to the holders of record. Additionally, the Company may decide to discontinue use of the system of book-entry transfers through DTC (or a successor depositary) with respect to the Preferred Securities. In that event, certificates for the Preferred Securities will be printed and delivered to the holders of record.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Company and the Trust believe to be reliable, but the Company and the Trust take no responsibility for the accuracy thereof. The Trust has no responsibility for the performance by DTC or its Participants of their respective obligations as described herein or under the rules and procedures governing their respective operations.

Liquidation Distribution Upon Dissolution

Pursuant to the Trust Agreement, the Trust shall terminate on , or earlier upon (i) the occurrence of a Bankruptcy Event (as defined in the Trust Agreement) in respect of the Company, dissolution or liquidation of the Company, or dissolution of the Trust pursuant to a judicial decree; (ii) the delivery of written direction to the Property Trustee by the Company, as Depositor, at any time (which direction is optional and wholly within the discretion of the Company, as Depositor) to terminate the Trust and distribute the Series Junior Subordinated Notes to the holders of the Trust Securities in liquidation of the Trust (see "— Special Event Redemption; Distribution of Series Junior Subordinated Notes" above); or (iii) the payment at maturity or redemption of all of the Series Junior Subordinated Notes, and the consequent payment of the Trust Securities.

If an early termination occurs as described in clause (i) or (ii) above, the Trust shall be liquidated, and the Property Trustee shall distribute to each holder of Preferred Securities and Common Securities a like amount of Series Junior Subordinated Notes, unless in the case of an event described in clause (i) such distribution is determined by the Administrative Trustees not to be practical, in which event such holders will be entitled to receive, out of the assets of the Trust available for distribution to holders after satisfaction of liabilities to creditors, an amount equal to the aggregate of the stated liquidation preference of $25 per Trust Security plus accrued and unpaid distributions thereon to the date of payment (such amount being the "Liquidation Distribution"). If such Liquidation Distribution can be paid only in part because the Trust has insufficient assets available to pay in full the aggregate Liquidation Distribution, then subject to the next succeeding sentence, the amounts payable directly by the Trust on the Trust Securities shall be paid on a pro rata basis. The holder of the Common Securities will be entitled to receive distributions upon any such dissolution pro rata with the holders of the Preferred Securities, except that if a Subordinated Note Indenture Event of Default has occurred and is continuing, the holders of Preferred Securities shall have a preference over the holders of Common Securities.

Events of Default

Any one of the following events constitutes an "Event of Default" under the Trust Agreement ("Trust Agreement Event of Default") with respect to the Trust Securities issued thereunder (whatever the reason for such Event of Default, and whether it shall be voluntary or involuntary or be effected by operation of law or

pursuant to any judgment, decree or order of any court or any order, rule or regulation of any administrative or governmental body):

(i) the occurrence of an "Event of Default" as defined in Section 501 of the Subordinated Note Indenture ("Subordinated Note Indenture Event of Default") (see "Description of the Junior Subordinated Notes — Events of Default" in the accompanying Prospectus); or

(ii) default by the Trust in the payment of any distribution when it becomes due and payable, and the continuation of such default for a period of 30 days; or

(iii) default by the Trust in the payment of any Redemption Price of any Preferred Security Common Security when it becomes due and payable; or

(iv) default in the performance, or breach, of any covenant or warranty of the Securities Trustees in the Trust Agreement (other than a covenant or warranty a default in the performance of which or the breach of which is dealt with in clause (ii) or (iii) above), and continuation of such default or breach for a period of 60 days after there has been given, by registered or certified mail, to such Securities Trustees by the holders of at least 10% in liquidation amount of the outstanding Preferred Securities a written notice specifying such default or breach and requiring it to be remedied and stating that such notice is a "Notice of Default" under the Trust Agreement; or

(v) the occurrence of certain events of bankruptcy or insolvency with respect to the Trust.

Within 90 days after the occurrence of any Trust Agreement Event of Default, the Property Trustee shall transmit notice of any default known to the Property Trustee to the holders of Trust Securities and the Company, unless such Trust Agreement Event of Default shall have been cured or waived.

If a Trust Agreement Event of Default occurs and is continuing, then, pursuant to the Trust Agreement, holders of a majority in aggregate liquidation amount of Preferred Securities have the right to direct the exercise of any trust or power conferred upon the Property Trustee under the Trust Agreement, including the right to direct the Property Trustee under the Trust Agreement to exercise the remedies available to it as holder of the Series Junior Subordinated Notes. If the Property Trustee fails to enforce its rights under the Series Junior Subordinated Notes, a holder of Preferred Securities may, to the fullest extent permitted by applicable law, institute a legal proceeding directly against the Company to enforce its rights under the Trust Agreement without first instituting any legal proceeding against the Property Trustee or the Trust. Notwithstanding the foregoing, a holder of Preferred Securities may institute a legal proceeding directly against the Company, without first instituting a legal proceeding against the Property Trustee or any other person or entity, for enforcement of payment to such holder of principal of or interest on the Series Junior Subordinated Notes having a principal amount equal to the aggregate stated liquidation amount of the Preferred Securities of such holder on or after the due dates specified in the Series Junior Subordinated Notes. See "Relationship Among the Preferred Securities, the Series Junior Subordinated Notes and the Guarantee" herein and "Description of the Guarantees — Events of Default" in the accompanying Prospectus.

Unless a Subordinated Note Indenture Event of Default shall have occurred and be continuing, the Securities Trustees may be removed at any time by act of the holder of the Common Securities. If a Subordinated Note Indenture Event of Default has occurred and is continuing, any Securities Trustee may be removed at such time by act of the holders of a majority in liquidation amount of the Preferred Securities, delivered to the appropriate Securities Trustee (in its individual capacity and on behalf of the Trust). No resignation or removal of any Securities Trustee and no appointment of a successor shall be effective until the acceptance of appointment by the successor Trustee in accordance with the requirements of the Trust Agreement.

If a Subordinated Note Indenture Event of Default has occurred and is continuing, the holders of Preferred Securities shall have a preference over the holders of Common Securities upon dissolution of the Trust as described above. See "— Liquidation Distribution Upon Dissolution."

Voting Rights

Exce . as provided below and under "Description of the Guarantees — Amendments and Assignment" in the accompanying Prospectus and as otherwise required by law and the Trust Agreement, the holders of the Preferred Securities will have no voting rights.

If any proposed amendment to the Trust Agreement provides for, or the Securities Trustees otherwise propose to effect, (i) any action that would adversely affect the powers, preferences or special rights of the Preferred Securities, whether by way of amendment to the Trust Agreement or otherwise, or (ii) the dissolution, winding-up or termination of the Trust, other than pursuant to the Trust Agreement, then the holders of outstanding Preferred Securities will be entitled to vote as a class on such amendment or proposal of the Securities Trustees, and such amendment or proposal shall not be effective except with the approval of the holders of at least 66⅔% in liquidation amount of such outstanding Preferred Securities.

So long as any Series Junior Subordinated Notes are held by the Property Trustee, the Securities Trustees shall not (i) direct the time, method and place of conducting any proceeding for any remedy available to the Indenture Trustee (as defined herein), or executing any trust or power conferred on the Indenture Trustee with respect to the Series Junior Subordinated Notes, (ii) waive any past default which is waivable under Section 513 of the Subordinated Note Indenture, (iii) exercise any right to rescind or annul a declaration that the principal of all the Series Junior Subordinated Notes shall be due and payable, or (iv) consent to any amendment, modification or termination of the Subordinated Note Indenture or the Series Junior Subordinated Notes, where such consent shall be required, or to any other action, as the holder of the Series Junior Subordinated Notes, under the Subordinated Note Indenture, without, in each case, obtaining the prior approval of the holders of at least 66⅔% in liquidation amount of the outstanding Preferred Securities; *provided, however*, that where a consent under the Subordinated Note Indenture would require the consent of each holder of Series Junior Subordinated Notes affected thereby, no such consent shall be given by the Securities Trustees without the prior consent of each holder of Preferred Securities. The Securities Trustees shall not revoke any action previously authorized or approved by a vote of the holders of the Preferred Securities, except pursuant to a subsequent vote of such holders. The Property Trustee shall notify all holders of the Preferred Securities of any notice of default received from the Indenture Trustee with respect to the Series Junior Subordinated Notes. In addition to obtaining the foregoing approvals of the holders of the Preferred Securities, prior to taking any of the foregoing actions, the Securities Trustees shall obtain an opinion of counsel experienced in such matters to the effect that the Trust will not be classified as other than a grantor trust for federal income tax purposes on account of such action.

Any required approval of holders of Preferred Securities may be given at a separate meeting of holders of Preferred Securities convened for such purpose or pursuant to written consent. The Administrative Trustees will cause a notice of any meeting at which holders of Preferred Securities are entitled to vote to be given to each holder of record of Preferred Securities in the manner set forth in the Trust Agreement.

Notwithstanding that holders of Preferred Securities are entitled to vote or consent under any of the circumstances described above, any of the Preferred Securities that are owned by the Company, the Securities Trustees or any affiliate of the Company or any Securities Trustee, shall, for purposes of such vote or consent, be treated as if they were not outstanding.

Co-Property Trustees and Separate Property Trustee

At any time or times, for the purpose of meeting the legal requirements of the 1939 Act or of any jurisdiction in which any part of the Trust Property (as defined in the Trust Agreement) may at the time be located, the holder of the Common Securities and the Property Trustee shall have power to appoint, and upon the written request of the Property Trustee, the Company, as Depositor, shall for such purpose join with the Property Trustee in the execution, delivery and performance of all instruments and agreements necessary or proper to appoint, one or more persons approved by the Property Trustee either to act as co-property trustee, jointly with the Property Trustee, of all or any part of such Trust Property, or to act as separate trustee of any such property, in either case with such powers as may be provided in the instrument of appointment, and to vest in such person or persons in such capacity, any property, title, right or power deemed necessary or

desirable, subject to the provisions of the Trust Agreement. If the Company, as Depositor, does not join in such appointment within 15 days after the receipt by it of a request so to do, or in case a Subordinated Note Indenture Event of Default has occurred and is continuing, the Property Trustee alone shall have power to make such appointment.

Amendment of the Trust Agreement

The Trust Agreement may be amended from time to time by the Company and the Securities Trustees without the consent of the holders of the Trust Securities (i) to cure any ambiguity, correct or supplement any provision therein which may be inconsistent with any other provision therein, or to make any other provisions with respect to matters or questions arising under the Trust Agreement, which shall not be inconsistent with the other provisions of the Trust Agreement, *provided* that the amendment does not adversely affect in any material respect the interests of any holder of Trust Securities, or (ii) to modify, eliminate or add to any provisions of the Trust Agreement to such extent as shall be necessary to ensure that the Trust will not be classified as other than a grantor trust for federal income tax purposes. Except as provided in the succeeding paragraph, other amendments to the Trust Agreement may be made (i) upon approval of the holders of not less than 66⅔% in aggregate liquidation amount of the Trust Securities then outstanding and (ii) upon receipt by the Securities Trustees of an opinion of counsel to the effect that such amendment will not affect the Trust's status as a grantor trust or the Trust's exemption from the 1940 Act.

Notwithstanding the foregoing, without the consent of each affected holder of Trust Securities, the Trust Agreement may not be amended to (i) change the amount or timing of any distribution on the Trust Securities or otherwise adversely affect the amount of any distribution required to be made in respect of the Trust Securities as of a specified date, (ii) restrict the right of a holder of Trust Securities to institute suit for the enforcement of any such payment on or after such date, or (iii) change the consent required to amend the Trust Agreement.

Mergers, Consolidations or Amalgamations

The Trust may not consolidate, amalgamate, merge with or into, or be replaced by, or convey, transfer or lease its properties and assets substantially as an entirety to any corporation or other body, except as described below. The Trust may at the request of the Company, with the consent of the Administrative Trustees and without the consent of the holders of the Trust Securities, consolidate, amalgamate, merge with or into, or be replaced by a trust organized as such under the laws of any state; *provided*, that (i) such successor entity either (x) expressly assumes all of the obligations of the Trust with respect to the Trust Securities or (y) substitutes for the Preferred Securities other securities having substantially the same terms as the Trust Securities (the "Successor Securities") so long as the Successor Securities rank the same as the Trust Securities rank in priority with respect to distributions and payments upon liquidation, redemption and otherwise, (ii) the Company expressly appoints a trustee of such successor entity possessing the same powers and duties as the Property Trustee as the holder of the Junior Subordinated Notes, (iii) the Preferred Securities or any Successor Securities are listed, or any Successor Securities will be listed upon notification of issuance, on any national securities exchange or other organization on which the Preferred Securities are then listed, (iv) such merger, consolidation, amalgamation or replacement does not cause the Preferred Securities (including any Successor Securities) to be downgraded by any nationally recognized statistical rating organization, (v) such merger, consolidation, amalgamation or replacement does not adversely affect the rights, preferences and privileges of the holders of the Trust Securities (including any Successor Securities) in any material respect, (vi) such successor entity has a purpose substantially identical to that of the Trust, (vii) prior to such merger, consolidation, amalgamation or replacement, the Company has received an opinion of counsel to the effect that (A) such merger, consolidation, amalgamation or replacement does not adversely affect the rights, preferences and privileges of the holders of the Trust Securities (including any Successor Securities) in any material respect, and (B) following such merger, consolidation, amalgamation or replacement, neither the Trust nor such successor entity will be required to register as an investment company under the 1940 Act, and (viii) the Company guarantees the obligations of such successor entity under the Successor Securities at least to the extent provided by the Guarantee. Notwithstanding the foregoing, the

Trust shall not, except with the consent of holders of 100% in liquidation amount of the Trust Securities, consolid..e, amalgamate, merge with or into, or be replaced by any other entity or permit any other entity to consolidate, amalgamate, merge with or into, or replace it if such consolidation, amalgamation, merger or replacement would cause the Trust or the successor entity to be classified as other than a grantor trust for federal income tax purposes.

Any corporation or other body into which any of the Property Trustee, the Delaware Trustee or any Administrative Trustee that is not a natural person may be merged or converted or with which it may be consolidated, or any corporation or other body resulting from any merger, conversion or consolidation to whi . any such Securities Trustee shall be a party, or any corporation or other body succeeding to all or substantially all the corporate trust business of any such Securities Trustee, shall be the successor of such Securities Trustee under the Trust Agreement, *provided* such corporation is otherwise qualified and eligible under the Trust Agreement.

Payment and Paying Agent

So long as DTC is acting as securities depositary for the Preferred Securities, payments in respect of the Preferred Securities shall be made to DTC, which is to credit the relevant accounts at DTC on the applicable Distribution Dates. If the Preferred Securities are not held by DTC, such payments shall be made by check mailed to the address of the holder entitled thereto as such address shall appear on the Securities Register (as such term is defined in the Trust Agreement). The Paying Agent shall initially be the Property Trustee. The Paying Agent shall be permitted to resign as Paying Agent upon 30 days' written notice to the Administrative Trustees and the Company. In such event, the Administrative Trustees shall appoint a successor to act as Paying Agent.

Registrar and Transfer Agent

It is anticipated that the Property Trustee, or one of its affiliates, will act as registrar and transfer agent (the "Securities Registrar") for the Preferred Securities.

Registration of transfers of Preferred Securities will be effected without charge by or on behalf of the Trust, but upon payment in respect of any tax or other governmental charges which may be imposed in relation to it.

The Securities Registrar will not be required to register or cause to be registered any transfer of Preferred Securities after they have been called for redemption.

Information Concerning the Property Trustee

The Property Trustee, prior to the occurrence of a Trust Agreement Event of Default with respect to the Trust Securities, undertakes to perform only such duties as are specifically set forth in the Trust Agreement and, after default, shall exercise the same degree of care as a prudent individual would exercise in the conduct of his or her own affairs. Subject to such provisions, the Property Trustee is under no obligation to exercise any of the powers vested in it by the Trust Agreement at the request of any holder of Preferred Securities, unless offered reasonable indemnity by such holder against the costs, expenses and liabilities which might be incurred thereby.

The Chase Manhattan Bank, the Property Trustee, also serves as Indenture Trustee and Guarantee Trustee. The Company and certain of its affiliates maintain deposit accounts and banking relationships with The Chase Manhattan Bank. The Chase Manhattan Bank serves as trustee under other indentures pursuant to which securities of the Company and affiliates of the Company are outstanding.

Governing Law

The Trust Agreement and the Trust Securities will be governed by, and construed in accordance with, the internal laws of the State of Delaware; provided that the immunities and standard of care of the Property Trustee shall be governed by New York law.

Miscellaneous

The Administrative Trustees are authorized and directed to operate the Trust so that the Trust will not be deemed to be an "investment company" required to be registered under the 1940 Act or taxed as other than a grantor trust for federal income tax purposes and so that the Series Junior Subordinated Notes will be treated as indebtedness of the Company for federal income tax purposes. In this connection, the Administrative Trustees and the Company are authorized to take any action, not inconsistent with applicable law, the Trust's certificate of trust or the Trust Agreement, that the Administrative Trustees and the Company determine in their discretion to be necessary or desirable for such purposes, as long as such action does not materially and adversely affect the interests of the holders of the Preferred Securities.

DESCRIPTION OF THE SERIES JUNIOR SUBORDINATED NOTES

Set forth below is a description of the specific terms of the Series Junior Subordinated Notes. This description supplements, and should be read together with, the description of the general terms and provisions of the Junior Subordinated Notes set forth in the accompanying Prospectus under the caption "Description of the Junior Subordinated Notes." The following description does not purport to be complete and is subject to, and is qualified in its entirety by reference to, the description in the accompanying Prospectus and the Subordinated Note Indenture (as defined therein).

General

The Series Junior Subordinated Notes will be issued as a series of Junior Subordinated Notes under the Subordinated Note Indenture. The Series Junior Subordinated Notes will be limited in aggregate principal amount to $, such amount being the approximate aggregate liquidation amount of the Trust Securities.

The entire principal amount of the Series Junior Subordinated Notes will mature and become due and payable, together with any accrued and unpaid interest thereon, including Additional Interest, if any, on . The Series Junior Subordinated Notes are not subject to any sinking fund provision.

The terms of the Series Junior Subordinated Notes correspond to those of the Preferred Securities, as described herein.

Optional Redemption

The Company shall have the right to redeem the Series Junior Subordinated Notes, in whole or in part, without premium, from time to time, on or after , or at any time in whole upon the occurrence of a Special Event as described under "Description of the Preferred Securities — Special Event Redemption or Distribution," upon not less than 30 nor more than 60 days' notice, at a Redemption Price equal to 100% of the principal amount to be redeemed plus any accrued and unpaid interest, including Additional Interest, if any, to the Redemption Date. If a partial redemption of the Series Junior Subordinated Notes would result in the delisting of the Preferred Securities, the Company may only redeem the Series Junior Subordinated Notes in whole.

Interest

Each Series Junior Subordinated Note shall bear interest at the Securities Rate from the Issue Date, payable quarterly in arrears on March 31, June 30, September 30 and December 31 of each year to the person in whose name such Series Junior Subordinated Note is registered at the close of business on the fifteenth calendar day prior to such payment date. The amount of interest payable will be computed on the basis of a 360-day year of twelve 30-day months. In the event that any date on which interest is payable on the Series Junior Subordinated Notes is not a Business Day, then payment of the interest payable on such date will be made on the next succeeding day which is a Business Day (and without any interest or other payment in respect of any such delay), except that, if such Business Day is in the next succeeding calendar year, such

payment shall be made on the immediately preceding Business Day, in each case with the same force and effect as if made on such date.

Option to Extend Interest Payment Period

The Company shall have the right at any time, and from time to time, to defer payments of interest on the Series Junior Subordinated Notes by extending the interest payment period for up to 20 consecutive quarters, but not beyond the stated maturity date. At the end of an Extension Period, the Company shall pay all interest then accrued and unpaid (including any Additional Interest) (together with interest thereon at the Securities Rate compounded quarterly); *provided*, that if the Company shall have given notice of its election to select an Extension Period, (a) the Company shall not declare or pay any dividend or distribution on, or redeem, purchase, acquire or make a liquidation payment with respect to, any of its capital stock or make any guarantee payments with respect to the foregoing, and (b) the Company shall not make any payment of interest, principal or premium, if any, on or repay, repurchase or redeem any debt securities (including guarantees other than the Guarantee) issued by the Company which rank *pari passu* with or junior to the Series Junior Subordinated Notes. Prior to the termination of any Extension Period, the Company may further defer payments of interest by extending the interest payment period, *provided* that such Extension Period, together with all such previous and further extensions thereof, may not exceed 20 consecutive quarters. Upon the termination of any Extension Period and the payment of all amounts then due, the Company may select a new Extension Period, subject to the above requirements. The Company has no present intention of exercising its rights to defer payments of interest by extending the interest payment period on the Series Junior Subordinated Notes. See "Certain Federal Income Tax Considerations — Original Issue Discount."

The Company shall give the holder or holders of the Series Junior Subordinated Notes and the Indenture Trustee notice of its selection or extension of an Extension Period at least one Business Day prior to the earlier of (i) the record date relating to the interest payment date on which the Extension Period is to commence or relating to the interest payment date on which an Extension Period that is being extended would otherwise terminate or (ii) the date the Company or the Trust is required to give notice to the NYSE or other applicable self-regulatory organization of the record date or the date such distributions are payable.

Book-Entry and Issuance

If distributed to holders of Trust Securities in connection with the voluntary or involuntary dissolution, winding-up or liquidation of the Trust, the Series Junior Subordinated Notes are expected to be issued in the form of one or more global certificates registered in the name of the securities depositary or its nominee. In such event, the procedures applicable to the transfer and payment of the Series Junior Subordinated Notes are expected to be substantially similar to those described with respect to the Preferred Securities in "Description of the Preferred Securities — Book-Entry Only Issuance — The Depository Trust Company."

RELATIONSHIP AMONG THE PREFERRED SECURITIES, THE SERIES JUNIOR SUBORDINATED NOTES AND THE GUARANTEE

As long as payments of interest and other payments are made when due on the Series Junior Subordinated Notes, such payments will be sufficient to cover distributions and payments due on the Trust Securities primarily because (i) the aggregate principal amount of Series Junior Subordinated Notes will be equal to the sum of the aggregate stated liquidation amount of the Trust Securities; (ii) the interest rate and interest and other payment dates on the Series Junior Subordinated Notes will match the distribution rate and distribution and other payment dates for the Preferred Securities; (iii) the Company shall pay for all costs and expenses of the Trust pursuant to the Agreement as to Expenses and Liabilities; and (iv) the Trust Agreement provides that the Securities Trustees shall not cause or permit the Trust to, among other things, engage in any activity that is not consistent with the purposes of the Trust.

Payments of distributions (to the extent funds therefor are legally and immediately available) and other payments due on the Preferred Securities (to the extent funds therefor are legally and immediately available) are guaranteed by the Company as and to the extent set forth under "Description of the Guarantees" in the

accompanying Prospectus. If the Company does not make interest payments on the Series Junior Subordinated Notes, it is not expected that the Trust will have sufficient funds to pay distributions on the Preferred Securities. The Guarantee is a guarantee from the time of its issuance, but does not apply to any payment of distributions unless and until the Trust has sufficient funds legally and immediately available for the payment of such distributions.

If the Company fails to make interest or other payments on the Series Junior Subordinated Notes when due (taking into account any Extension Period), the Trust Agreement provides a mechanism whereby the holders of the Preferred Securities may appoint a substitute Property Trustee. Such holders may also direct the Property Trustee to enforce its rights under the Series Junior Subordinated Notes, including proceeding directly against the Company to enforce the Series Junior Subordinated Notes. If the Property Trustee fails to enforce its rights under the Series Junior Subordinated Notes, to the fullest extent permitted by applicable law, any holder of Preferred Securities may institute a legal proceeding directly against the Company to enforce the Property Trustee's rights under the Series Junior Subordinated Notes without first instituting any legal proceeding against the Property Trustee or any other person or entity. Notwithstanding the foregoing, a holder of Preferred Securities may institute a legal proceeding directly against the Company, without first instituting a legal proceeding against the Property Trustee or any other person or entity, for enforcement of payment to such holder of principal of or interest on the Series Junior Subordinated Notes having a principal amount equal to the aggregate stated liquidation amount of the Preferred Securities of such holder on or after the due dates specified in the Series Junior Subordinated Notes.

If the Company fails to make payments under the Guarantee, the Guarantee provides a mechanism whereby the holders of the Preferred Securities may direct the Guarantee Trustee to enforce its rights thereunder. In addition, any holder of Preferred Securities may institute a legal proceeding directly against the Company to enforce the Guarantee Trustee's rights under the Guarantee without first instituting a legal proceeding against the Guarantee Trustee or any other person or entity.

The Guarantee, the Subordinated Note Indenture, the Series Junior Subordinated Notes, the Trust Agreement and the Agreement as to Expenses and Liabilities, as described above, constitute a full and unconditional guarantee by the Company of the payments due on the Preferred Securities.

Upon any voluntary or involuntary dissolution, winding-up or termination of the Trust, unless the Series Junior Subordinated Notes are distributed in connection therewith, the holders of Preferred Securities will be entitled to receive, out of assets legally available for distribution to holders, the Liquidation Distribution in cash. See "Description of the Preferred Securities — Liquidation Distribution Upon Dissolution." Upon any voluntary or involuntary liquidation or bankruptcy of the Company, the Property Trustee, as holder of the Series Junior Subordinated Notes, would be a subordinated creditor of the Company, subordinated in right of payment to all Senior Indebtedness, but entitled to receive payment in full of principal and interest, before any stockholders of the Company receive payments or distributions. Because the Company is guarantor under the Guarantee and has agreed to pay for all costs, expenses and liabilities of the Trust (other than the Trust's obligations to holders of the Preferred Securities) pursuant to the Agreement as to Expenses and Liabilities, the positions of a holder of Preferred Securities and a holder of Series Junior Subordinated Notes relative to other creditors and to stockholders of the Company in the event of liquidation or bankruptcy of the Company would be substantially the same.

A default or event of default under any Senior Indebtedness would not constitute a default or Event of Default under the Subordinated Note Indenture. However, in the event of payment defaults under, or acceleration of, Senior Indebtedness, the subordination provisions of the Series Junior Subordinated Notes provide that no payments may be made in respect of the Series Junior Subordinated Notes until such Senior Indebtedness has been paid in full or any payment default thereunder has been cured or waived. Failure to make required payments on the Series Junior Subordinated Notes would constitute an Event of Default under the Subordinated Note Indenture except that failure to make interest payments on the Series Junior Subordinated Notes will not be an Event of Default during an Extension Period; provided, however, that any

Extension Period may not exceed 20 consecutive quarters or extend beyond the stated maturity of the Series Junior Subordinated Notes.

CERTAIN FEDERAL INCOME TAX CONSIDERATIONS

The following is a summary of certain material United States federal income tax consequences of the ownership and disposition of the Preferred Securities and constitutes the opinion of Troutman Sanders LLP, counsel to the Company and the Trust, insofar as it relates to matters of law and legal conclusions. This summary deals only with Preferred Securities held as capital assets within the meaning of Section 1221 of the Internal Revenue Code of 1986, as amended to the date hereof (the "Code"), by Holders (as defined herein). Moreover, it does not discuss all of the tax consequences that may be relevant to a Holder in light of his particular circumstances or to Holders subject to special rules, such as certain financial institutions, insurance companies, dealers in securities, individual retirement and certain tax deferred accounts, and persons who engage in a straddle or a hedge relating to a Preferred Security. Prospective investors should consult their own tax advisors with regard to the application of the tax considerations discussed below to their particular situations as well as the application of any state, local or other tax laws. This summary is based on laws, existing and proposed regulations, and applicable judicial and administrative determinations, all of which are subject to change at any time, and any such changes may be retroactively applied in a manner that could adversely affect Holders. As used herein, the term "Holder" means a beneficial owner of a Preferred Security that for United States federal income tax purposes is (i) a citizen or resident of the United States, (ii) a corporation, partnership or other entity created or organized in or under the laws of the United States or of any political subdivision thereof, or (iii) an estate or trust the income of which is subject to United States federal income taxation regardless of its source. Thus, the following summary does not address any tax consequences that apply specifically to nonresident aliens or foreign entities.

Treatment of the Trust and Preferred Securities for Federal Income Tax Purposes

The Trust will be treated as a "grantor trust" and not as an association taxable as a corporation for federal income tax purposes. Thus, for federal income tax purposes, each Holder will be treated as the beneficial owner of a pro rata undivided interest in the Series Junior Subordinated Notes and, consequently, will be required to include in income the Holder's pro rata share of the entire income from the Series Junior Subordinated Notes. Each Holder generally will determine its net income or loss with respect to the Trust in accordance with its own method of accounting, although income arising from OID, if any, must be taken into account under the accrual method of accounting even if the Holder otherwise would use the cash receipts and disbursements method.

Payments of Interest

Except as set forth below, stated interest on a Series Junior Subordinated Note will generally be taxable to a Holder as ordinary income at the time it is paid or accrued in accordance with the Holder's own method of accounting.

Original Issue Discount

Under income tax regulations that recently became effective, the Company believes that the Series Junior Subordinated Notes will not be treated as issued with OID. It should be noted that these regulations have not yet been addressed in any rulings or other interpretations by the Internal Revenue Service (the "IRS"). Accordingly, it is possible that the IRS could take a position contrary to the interpretations described herein.

The terms of the Series Junior Subordinated Notes permit the Company to defer the payment of interest on the Series Junior Subordinated Notes at any time and from time to time by extending the interest payment period for up to 20 consecutive quarters with respect to each Extension Period; provided, however, that no Extension Period may extend beyond the stated maturity date of the Series Junior Subordinated Notes. Should the Company exercise this option to defer payments of interest, the Series

Junior Subordinated Notes would at that time be treated as issued with OID and all the stated interest payments c the Series Junior Subordinated Notes would thereafter be treated as OID for so long as they remained outstanding. As a result, all Holders would, in effect, be required to accrue interest income even if such Holders are on a cash method of accounting. Consequently, in the event that the payment of interest is deferred, a Holder could be required to include OID in income on an economic accrual basis, notwithstanding that the Company will not make any interest payments during such period on the Series Junior Subordinated Notes.

Market Discount

A purchaser of a Preferred Security at a discount from the liquidation amount at maturity of such purchaser's pro rata share of the Series Junior Subordinated Notes acquires such Preferred Security with "market discount." However, market discount with respect to a Preferred Security will be considered to be zero if it is de minimis. Market discount will be de minimis with respect to a Preferred Security if it is less than the product of (i) 0.25% of the adjusted issue price of the purchaser's pro rata share of the Series Junior Subordinated Notes multiplied by (ii) the number of complete years to maturity of such Series Junior Subordinated Notes after the date of purchase. The purchaser of a Preferred Security with more than a de minimis amount of market discount generally will be required to treat any gain on the sale, exchange, redemption or other disposition of all or part of the Preferred Securities (or related Series Junior Subordinated Notes) as ordinary income to the extent of accrued (but not previously taxed) market discount. Market discount generally will accrue ratably during the period from the date of purchase of such Preferred Security to the maturity date of the Series Junior Subordinated Notes, unless the Holder irrevocably elects to accrue such market discount on the basis of a constant interest rate.

A Holder who has acquired a Preferred Security at a market discount generally will be required to defer any deductions of interest expense attributable to any indebtedness incurred or continued to purchase or carry the Preferred Security, to the extent such interest expense exceeds the related interest income. Any such deferred interest expense generally will be allowable as a deduction not later than the year in which the related market discount income is recognized. As an alternative to the inclusion of market discount in income upon disposition of all or a portion of a Preferred Security or the related Series Junior Subordinated Notes (including redemptions thereof), a Holder may make an election (which may not be revoked without the Internal Revenue Service's consent) to include market discount in income as it accrues on all market discount instruments acquired by the Holder during or after the taxable year for which the election is made. In that case, the preceding deferral rule for interest expense will not apply.

In lieu of the foregoing treatment of market discount and interest expense, a Holder may elect to treat any market discount (including a de minimis amount) as OID and accrue such discount on a constant-yield basis in the same manner as the Holder accrues OID.

Sale of Preferred Securities

Upon the sale, retirement (including redemption) or other taxable disposition of all or part of a Preferred Security, a Holder thereof will recognize gain or loss equal to the difference between the amount realized on such sale, retirement or other disposition and such Holder's adjusted tax basis in the Preferred Security or part thereof. If the Holder disposes of a Preferred Security prior to the occurrence of an Extension Period, any portion of the amount received that is attributable to accrued interest will be treated as interest income to the Holder and will not be treated as part of the amount realized for purposes of determining gain or loss on the disposition of the Preferred Security. Any recognized gain or loss will be capital gain or loss, except to the extent of any accrued market discount (see "Market Discount" above), and such capital gain or loss will be long-term if the holding period for the Preferred Security is more than one year at the time of sale, retirement or other disposition. A Holder's adjusted tax basis in a Preferred Security acquired by purchase will equal the cost of such Preferred Security to the Holder, increased by the amount of any related accrued OID and market discount included in taxable income by the Holder and reduced by any prior payments on the Series Junior Subordinated Notes distributed on the Preferred Security. The redemption of only part of a Preferred Security will require an allocation of the Holder's adjusted tax basis in his pro rata share of the related

Series Junior Subordinated Notes between the portion of the Series Junior Subordinated Notes redeemed and retained by the Holder in order to determine gain or loss.

Receipt of Series Junior Subordinated Notes Upon Liquidation of the Trust

As described under "Description of the Preferred Securities — Special Event Redemption; Distribution of Series Junior Subordinated Notes," Series Junior Subordinated Notes may be distributed to Holders in exchange for the Preferred Securities and in liquidation of the Trust. Such a distribution would be treated as a non-taxable event to each Holder and each Holder would receive an aggregate tax basis in the Holder's Series Junior Subordinated Notes equal to the Holder's aggregate tax basis in its Preferred Securities. A Holder's holding period with respect to the Series Junior Subordinated Notes so received in liquidation of the Trust would include the period for which the Preferred Securities were held by such Holder.

Information Reporting to Holders

Income on the Preferred Securities will be reported to Holders on Form 1099, which form should be mailed to Holders of Preferred Securities by January 31 following each calendar year.

Backup Withholding

A Holder may be subject to "backup withholding" under certain circumstances. Backup withholding applies to a Holder if the Holder, among other things, (i) fails to furnish his social security number or other taxpayer identification number ("TIN") to the payor responsible for backup withholding (for example, the Holder's securities broker), (ii) furnishes such payor an incorrect TIN, (iii) fails to provide such payor with a certified statement, signed under penalties of perjury, that the TIN provided to the payor is correct and that the Holder is not subject to backup withholding, or (iv) fails to report properly interest and dividends on his tax return. Backup withholding, however, does not apply to payments made to certain exempt recipients, such as corporations and tax-exempt organizations. The backup withholding rate is 31% of "reportable payments," which generally will include distributions of interest and principal payments on the Series Junior Subordinated Notes.

Possible Tax Law Changes

On March 19, 1996, the Revenue Reconciliation Bill of 1996 (the "Bill"), the revenue portion of President Clinton's 1996 budget proposal, was released. The Bill would, among other things, generally deny interest deductions for interest on an instrument, issued by a corporation, that has a maximum term of more than 20 years and that is not shown as indebtedness on the separate balance sheet of the issuer or, where the instrument is issued to a related party (other than a corporation), where the holder or some other related party issues a related instrument that is not shown as indebtedness on the issuer's consolidated balance sheet. The above-described provisions of the Bill were proposed to be effective generally for instruments issued on or after December 7, 1995. If such provisions were to apply to the Series Junior Subordinated Notes, the Company would be unable to deduct interest on the Series Junior Subordinated Notes. However, on March 29, 1996, the Chairmen of the Senate Finance and House Ways and Means Committees issued a joint statement to the effect that it was their intention that the effective date of the President's legislative proposals, if adopted, will be no earlier than the date of appropriate Congressional action. The Company believes that, under current law, it will be able to deduct interest on the Series Junior Subordinated Notes. There can be no assurance, however, that current or future legislative proposals or final legislation will not affect the ability of the Company to deduct interest on the Series Junior Subordinated Notes. Such a change could give rise to a Tax Event, which would permit the Company to cause a redemption of the Preferred Securities, as described more fully under "Description of the Preferred Securities — Special Event Redemption; Distribution of Series Junior Subordinated Notes."

THE FEDERAL INCOME TAX DISCUSSION SET FORTH ABOVE MAY NOT BE APPLICABLE TO A HOLDER, DEPENDING UPON A HOLDER'S PARTICULAR SITUATION, AND THEREFORE EACH HOLDER SHOULD CONSULT HIS TAX ADVISOR WITH RESPECT TO THE TAX CONSEQUENCES OF THE OWNERSHIP AND DISPOSITION OF PREFERRED SECURITIES, INCLUDING THE TAX CONSEQUENCES UNDER STATE, LOCAL, FOREIGN AND OTHER TAX LAWS AND THE POSSIBLE EFFECTS OF CHANGES IN FEDERAL OR OTHER TAX LAW.

UNDERWRITING

Subject to the terms and conditions set forth in an underwriting agreement (the "Underwriting Agreement"), the Trust has agreed to sell to the Underwriters named below, and the Underwriters, for whom is acting as representative (the "Representative"), have severally agreed to purchase the number of Preferred Securities set forth opposite their respective names below. In the Underwriting Agreement, the Underwriters have agreed, subject to the terms and conditions set forth therein, to purchase all of the Preferred Securities offered hereby if any of the Preferred Securities are purchased.

Name	Number of Preferred Securities
Total	

The Underwriters have advised the Company and the Trust that they propose to offer the Preferred Securities in part directly to the public at the price to the public, as set forth on the cover page of this Prospectus Supplement, and in part to certain securities dealers at such price less a concession not in excess of $ per Preferred Security. The Underwriters may allow, and such dealers may reallow, a concession not in excess of $ per Preferred Security to certain other dealers. After the Preferred Securities are released for sale to the public, the offering price and other selling terms may from time to time be varied by the Underwriters.

The Preferred Securities are expected to be approved for listing on the NYSE, subject to official notice of issuance. Trading of the Preferred Securities on the NYSE is expected to commence within a 30-day period after the initial delivery of the Preferred Securities. The Representative has advised the Company and the Trust that it intends to make a market in the Preferred Securities prior to the commencement of trading on the NYSE. The Representative will have no obligation to make a market in the Preferred Securities, however, and may cease market making activities, if commenced, at any time.

Prior to this offering, there has been no public market for the Preferred Securities. In order to meet one of the requirements for listing the Preferred Securities on the NYSE, the Underwriters will undertake to sell lots of 100 or more Preferred Securities to a minimum of 400 beneficial holders.

The Company and the Trust have agreed to indemnify the Underwriters against certain liabilities, including liabilities under the 1933 Act.

Certain of the Underwriters engage in transactions with, and, from time to time, have performed services for, the Company and its affiliates in the ordinary course of business.

LEGAL OPINIONS

Certain matters of Delaware law relating to the validity of the Preferred Securities will be passed upon on behalf of the Company and the Trust by Richards, Layton & Finger, Wilmington, Delaware, special Delaware counsel to the Company and the Trust. The validity of the Series Junior Subordinated Notes, the Guarantee and certain matters relating thereto will be passed upon on behalf of the Company by Beggs & Lane, Pensacola, Florida, and by Troutman Sanders LLP, Atlanta, Georgia. Troutman Sanders LLP will also pass upon certain matters relating to United States federal income tax considerations. Certain legal matters will be passed upon for the Underwriters by Dewey Ballantine, New York, New York.

GLOSSARY

1933 Act	The Securities Act of 1933, as amended.
19 , Act	The Securities Exchange Act of 1934, as amended.
1939 Act	The Trust Indenture Act of 1939, as amended.
1940 Act	The Investment Company Act of 1940, as amended.
Additional Interest	Amounts payable by the Company as defined under "Description of the Junior Subordinated Notes — Additional Interest" in the accom, anying Prospectus.
Administrative Trustees	Linda Malone and Wayne Boston.
Agreement as to Expenses and Liabilities	The agreement between the Company and the Trust pursuant to which the Company has agreed to pay all indebtedness, expenses or liabilities of the Trust, other than the Trust's obligations to pay to the holders of the Preferred Securities the amounts due such holders pursuant to the terms thereof.
Code	The Internal Revenue Code of 1986, as amended.
Common Securities	The Trust Securities being sold to the Company.
Company	Gulf Power Company.
Delaware Trustee	Chase Manhattan Bank Delaware.
DTC	The Depository Trust Company, a "clearing corporation" that initially will hold (through its agents) a global certificate evidencing the Preferred Securities.
Distribution Dates	March 31, June 30, September 30 and December 31 of each year.
Extension Period	Any period during which interest is not paid on the Series Junior Subordinated Notes (and, consequently, on the Preferred Securities) at the election of the Company to the extent permitted under the terms of the Series Junior Subordinated Notes.
Guarantee	The guarantee by the Company of the payments by the Trust on the Preferred Securities from funds available in the Trust.
Guarantee Payments	Payments required to be made pursuant to the Guarantee as described in "Description of the Guarantees — General" in he accompanying Prospectus.
Guarantee Trustee	The trustee under the Guarantee; initially, The Chase Manhattan Bank.
Indenture Trustee	The trustee under the Subordinated Note Indenture; initially, The Chase Manhattan Bank.
Issue Date	The date set forth on the cover page on which the Series Junior Subordinated Notes and Preferred Securities are scheduled to be issued.
Investment Company Act Event	An event of the type described in "Description of the Preferred Securities — Special Event Redemption; Distribution of Series Junior Subordinated Notes."
NYSE	New York Stock Exchange.

Preferred Securities	The Trust Securities being offered to investors pursuant to this Prospectus Supplement and the accompanying Prospectus.
Property Trustee	A trustee under the Trust designated to hold the trust property; initially The Chase Manhattan Bank.
Record Date	The close of business on the 15th calendar day prior to a Distribution Date.
Redemption Price	The stated liquidation amount of $25 per Preferred Security, plus accrued and unpaid distributions thereon (and interest thereon) to the date of payment.
Securities Rate	The per annum interest rate expressed as a percentage of the stated liquidation amount of $25 per Preferred Security, and set forth on the cover page of this Prospectus Supplement.
Securities Trustees	The Property Trustee, Administrative Trustees and Delaware Trustee.
Senior Indebtedness	Indebtedness of the Company described hereunder under "Description of the Junior Subordinated Notes — Subordination" in the accompanying Prospectus.
Series Junior Subordinated Notes	The Series % junior subordinated deferrable interest notes of the Company due .
Special Event	A Tax Event or Investment Company Act Event.
Subordinated Note Indenture	The indenture pursuant to which the Company's Series Junior Subordinated Notes will be issued.
Subordinated Note Indenture Event of Default	As described under "Description of the Junior Subordinated Notes — Events of Default" in the accompanying Prospectus.
Tax Event	An event of the type described in "Description of the Preferred Securities — Special Event Redemption; Distribution of Series Junior Subordinated Notes."
Trust	Gulf Power Capital Trust , a Delaware business trust that will issue the Trust Securities.
Trust Agreement	The agreement pursuant to which the Trust is organized as it may be amended and restated from time to time.
Trust Agreement Event of Default	As described under "Description of the Preferred Securities — Events of Default."
Trust Securities	The Preferred Securities and the Common Securities.

No dealer, salesperson or other individual has been authorized to give any information or to make any representations other than those contained or incorporated by reference in this Prospectus Supplement or the Prospectus in connection with the offer made by this Prospectus Supplement and the Prospectus and, if given or made, such information or representations must not be relied upon as having been authorized by the Company, Gulf Power Capital Trust [ ] or the Underwriters. Neither the delivery of this Prospectus Supplement or the Prospectus nor any sale made hereunder or thereunder shall under any circumstance create an implication that there has been no change in the affairs of the Company or Gulf Power Capital Trust [ ] since the date hereof. This Prospectus Supplement and the Prospectus do not constitute an offer or solicitation by anyone in any state in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to anyone to whom it is unlawful to make such offer or solicitation.

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[ ] Preferred Securities

Gulf Power Capital Trust [ ]

% Trust Preferred Securities
(Liquidation amount $25 per Preferred Security)
Fully and unconditionally guaranteed, as set forth herein, by

Gulf Power Company

a subsidiary of The Southern Company

PROSPECTUS SUPPLEMENT

Information contained herein is subject to completion or amendment. A registration statement relating to these securities has been filed with the Securities and Exchange Commission. These securities may not be sold nor may offers to buy be accepted prior to the time the registration statement becomes effective. This prospectus shall not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities in any State in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such State

SUBJECT TO COMPLETION, DATED JANUARY 3, 1997

PROSPECTUS SUPPLEMENT TO PROSPECTUS DATED JANUARY , 1997

[ ] Capital Securities

Gulf Power Capital Trust [ ]

% Capital Securities

(Liquidation amount $ per Capital Security)

Fully and unconditionally guaranteed, as set forth herein, by

Gulf Power Company

a subsidiary of The Southern Company

The % Capital Securities (the "Capital Securities") offered hereby evidence preferred undivided beneficial interests, representing 97% undivided beneficial interests in the assets of Gulf Power Capital Trust [ ], a statutory business trust created under the laws of the State of Delaware (the "Trust"). Gulf Power Company, a Maine corporation (the "Company"), will own all the common securities (the "Common Securities" and, together with the Capital Securities, the "Trust Securities") representing the remaining 3% undivided beneficial interests in the assets of the Trust. The Trust exists for the sole purpose of issuing the Capital Securities and Common Securities and investing the proceeds thereof in an equivalent amount of the Company's Series % junior subordinated deferrable interest notes due , (the "Series Junior Subordinated Notes").

The Series Junior Subordinated Notes will be unsecured obligations of the Company and will be subordinate and junior in right of payment to Senior Indebtedness of the Company, as described herein. See "Description of the Junior Subordinated Notes — Subordination" in the accompanying Prospectus. Holders of the Capital Securities are entitled to receive cumulative cash distributions at the rate of % per annum (the "Securities Rate"), accruing from the date of original issuance and payable, unless deferred, semi-annually in arrears on and of each year (each, a "Distribution Date").

(continued on page S-2)

See "Risk Factors" beginning on page S-7 for certain information relevant to an investment in the Capital Securities, including the period and circumstances during and under which payments of distributions on the Capital Securities may be deferred and the related United States federal income tax consequences of such deferral.

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS SUPPLEMENT OR THE PROSPECTUS TO WHICH IT RELATES. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

	Price to Public(1)	Underwriting Discount(2)(3)	Proceeds to Trust(2)(3)(4)
Per Capital Security	$	$	$
Total	$	$	$

(1) Plus accrued distributions, if any, from the Issue Date.

(2) The Company and the Trust have agreed to indemnify the Underwriters against certain liabilities, including liabilities under the Securities Act of 1933, as amended. See "Underwriting."

(3) Because the proceeds of the sale of the Capital Securities will be invested in Series Junior Subordinated Notes, the Company has agreed to pay to the Underwriters, as compensation (the "Underwriters' Compensation") for arranging the investment therein of such proceeds, $ per Capital Security. See "Underwriting."

(4) Expenses of the offering to be paid by the Company are estimated to be approximately $.

The Capital Securities are offered severally by the Underwriters, as specified herein, subject to receipt and acceptance by them and subject to their right to reject any order in whole or in part. It is expected that delivery of the Capital Securities will be made in book-entry only form through the facilities of The Depository Trust Company on or about , (the "Issue Date").

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The Securities Rate and the Distribution Dates for the Capital Securities will correspond to the interest rate and interest and other payment dates on the Series Junior Subordinated Notes, which will constitute substantially all the assets of the Trust. As a resu. , if principal or interest is not paid on the Series Junior Subordinated Notes, no amounts will be paid on the Capital Securities. **The Company has the right to defer payments of interest on the Series Junior Subordinated Notes by extending the interest payment period on the Series Junior Subordinated Notes, at any time and from time to time, for up to 10 consecutive semi-annual periods (each, an "Extension Period").** If interest payments are so deferred, distributions on the Capital Securities also will be deferred and the Company will not be permitted to declare or pay any dividend or distribution on any of its capital stock or make any guarantee payments with respect to the foregoing, or make any payment on any debt securities issued by the Company which rank *pari passu* with or junior to the Series Junior Subordinated Notes. Durir any Extension Period, holders of Capital Securities will be required to include income in the form of original issue discount ("OID") in their gross income for United States federal income tax purposes in advance of the receipt of the cash payments attributable to such deferred interest. See "Description of the Series Junior Subordinated Notes — Option to Extend Interest Payment Period," "Risk Factors — Option to Extend Interest Payment Period" and "Certain Federal Income Tax Considerations — Original Issue Discount" and "— Market Discount." Deferred installments of interest on the Series Junior Subordinated Notes will bear interest, compounded semi-annually, at a rate per annum equal to the Securities Rate. The payment of such deferred interest, together with interest thereon to the extent permitted by applicable law, will be distributed to the holders of the Capital Securities as received at the end of any Extension Period.

The Trust Securities are subject to mandatory redemption upon repayment of the Series Junior Subordinated Notes at maturity or their earlier redemption. The Series Junior Subordinated Notes are redeemable at the option of the Company (in whole or in part), from time to time, on or afte. , , or at any time in whole upon the occurrence of a Tax Event or Investment Company Act Event (either, a "Special Event"). The Company will have the right at any time to terminate the Trust and cause the Series Junior Subordinated Notes to be distributed to the holders of the Trust Securities in liquidation of the Trust. See "Description of the Capital Securities — Special Event Redemption; Distribution of Series Junior Subordinated Notes." The Series Junior Subordinated Notes are subordinated and junior in right of payment to all Senior Indebtedness (as defined herein) of the Company. See "Description of the Junior Subordinated Notes — Subordination" in the accompanying Prospectus. As of September 30, 1996, Senior Indebtedness of the Company aggregated approximately $413,000,000. If the Series Junior Subordinated Notes are distributed to the holders of the Capital Securities, the Company will use its best efforts to have the Series Junior Subordinated Notes listed on the NYSE or on such other exchange as the Capital Securities are then listed. See "Description of the Capital Securities — Special Event Redemption; Distribution of Series Junior Subordinated Notes" and "Description of the Series Junior Subordinated Notes."

The payment of distributions on the Capital Securities is guaranteed by the Company under the Guarantee Agreement, but only to the extent that the Trust has funds legally and immediately available therefor (the "Guarantee"). If the Company fails to make required payments on the Series Junior Subordinated Notes, the Trust will not have sufficient funds to pay such distributions, and the Guarantee does not cover the payment of distributions when the Trust does not have sufficient funds legally available therefor. In such event, the remedy of a holder of Capital Securities is to enforce the Series Junior Subordinated Notes. See "Description of the Series Junior Subordinated Notes" herein and "Description of the Junior Subordinated Notes" in the accompanying Prospectus. The Company's obligations under the Guarantee are subordinate and junior in right of payment to all of its other liabilities and will rank *pari passu* (equal in priority) with the most senior preferred stock of the Company. See "Description of the Guarantees" in the accompanying Prospectus. The Company has, through the Guarantee, the Subordinated Note Indenture, the Series Junior Subordinated Notes, the Trust Agreement and the Agreement as to Expenses and Liabilities, fully and unconditionally guaranteed, subject to certain subordination provisions, all the Trust's obligations with respect to the Capital Securities.

In the event of the voluntary or involuntary dissolution, winding-up or termination of the Trust, the hol ers of the Capital Securities will be er titled to receive, for each Capital Security, a liquidation amount of $ plus accrued and unpaid distributions thereon (including interest thereon) to the date of payme..t, unless in connection with such dissolution, winding-up or termination, the Series Junior Subordinated Notes are distributed to the holders of the Capital Securities. See "Description of the Capital Securities — Liquidation Distribution Upon Dissolution."

The Capital Securities initially will be represented by a global certificate or certificates registered in the name of The Depository Trust Company ("DTC") or its nominee. Beneficial interests in the Capital Securities will be shown on, and transfers thereof will be effected only through, records maintained by Participants (as defined herein) in DTC. Except as described herein, Capital Securities in certificated form will not be issued in exchange for the global certificates. See "Description of the Capital Securities — Book-Entry Only Issuance — The Depository Trust Company."

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SECURITIES OFFERED HEREBY AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH TRANSACTIONS MAY BE EFFECTED IN THE OVER THE COUNTER MARKET OR OTHERWISE. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

SUMMARY OF OFFERING

The following summary is qualified in its entirety by reference to the detailed information appearing elsewhere in this Prospectus Supplement and in the accompanying Prospectus. Capitalized terms not otherwise defined shall have the meanings assigned in the Glossary.

The Company	The Company is a corporation organized under the laws of the State of Maine on November 2, 1925, and admitted to do business in Florida on January 15, 1926, in Mississippi on October 25, 1976 and in Georgia on November 20, 1984. The Company has its principal office at 500 Bayfront Parkway, Pensacola, Florida 32501, telephone (904) 444-6111. The Company is a wholly owned subsidiary of The Southern Company. The Company is a regulated public utility engaged in the generation, transmission, distribution and sale of electric energy within an approximately 7,400 square mile service area within the northwestern portion of the State of Florida.
The Trust	Gulf Power Capital Trust is a statutory business trust created under Delaware law solely for the purpose of holding the Company's Series Junior Subordinated Notes and issuing Capital Securities and Common Securities evidencing the entire beneficial interest therein (and engaging in activities necessary, appropriate, convenient or incidental thereto).
The Trustees	The Chase Manhattan Bank will act as property trustee (the "Property Trustee") of the Trust. Two officers of the Company also will act as trustees (the "Administrative Trustees") of the Trust. Chase Manhattan Bank Delaware will be an additional trustee (the "Delaware Trustee") of the Trust. The Chase Manhattan Bank also will act as trustee (the "Indenture Trustee") under the Subordinated Note Indenture pursuant to which the Series Junior Subordinated Notes will be issued and will act as trustee under the Guarantee (the "Guarantee Trustee"). The Property Trustee, Delaware Trustee and Administrative Trustees are sometimes referred to as the "Securities Trustees."
Capital Securities Offered	The Trust will offer Capital Securities evidencing preferred undivided beneficial interests in the assets of the Trust. Holders of the Capital Securities are entitled to receive cumulative cash distributions at the Securities Rate, accruing from the date of original issuance and payable semi-annually in arrears on and of each year, commencing on , (each, a "Distribution Date"). The Securities Rate and the Distribution Dates for the Capital Securities will correspond to the interest rate and payment dates on the Series Junior Subordinated Notes, which will constitute substantially all the assets of the Trust. As a result, if principal or interest is not paid on the Series Junior Subordinated Notes, no amounts will be paid on the Capital Securities. See "Description of the Capital Securities" herein.
Record Date	The record date for each Distribution Date will be the close of business on the 15th calendar day prior to such Distribution Date.

Series Junior Subordinated Notes	The Trust will invest the proceeds from the issuance of the Capital Securities and Common Securities in an equivalent amount of Series % junior subordinated deferrable interest notes due . The Series Junior Subordinated Notes will be subordinate and junior in right of payment to all indebtedness for borrowed money and other obligations of the Company included in the definition of Senior Indebtedness. See "Description of the Junior Subordinated Notes — Subordination" in the accompanying Prospectus.
Guarantee	The payment of distributions on the Capital Securities is guaranteed by the Company under the Guarantee, but only to the extent the Trust has funds legally and immediately available to make such distributions. If the Company does not make principal or interest payments on the Series Junior Subordinated Notes, the Trust will not have sufficient funds to make distributions on the Capital Securities, in which event the Guarantee will not apply to such distributions until the Trust has sufficient funds legally available therefor. The obligations of the Company under the Guarantee will be subordinate and junior in right of payment to all other liabilities of the Company and will rank *pari passu* with the most senior preferred stock issued by the Company. See "Risk Factors — Ranking of and Rights Under the Guarantee" herein and "Description of the Guarantees" in the accompanying Prospectus. The Company has, through the Guarantee, the Subordinated Note Indenture, the Series Junior Subordinated Notes, the Trust Agreement and the Agreement as to Expenses and Liabilities, fully and unconditionally guaranteed, subject to certain subordination provisions, all the Trust's obligations with respect to the Capital Securities.
Interest Deferral	The Company has the right to defer payments of interest on the Series Junior Subordinated Notes by extending the interest payment period on the Series Junior Subordinated Notes, at any time and from time to time, for up to 10 consecutive semi-annual periods (each, an "Extension Period"). The only restrictions on the Company's ability to defer payments of interest are that during the Extension Period the Company may not (i) pay dividends on or redeem any of its capital stock or (ii) pay principal or interest on any debt securities ranking *pari passu* with or subordinate to the Series Junior Subordinated Notes. There could be multiple Extension Periods of varying lengths throughout the term of the Series Junior Subordinated Notes. If interest payments on the Series Junior Subordinated Notes are deferred, distributions on the Capital Securities will also be deferred. During an Extension Period, holders of Capital Securities will be required to include income in the form of OID in their gross income for federal income tax purposes in advance of the receipt of the cash payments attributable to such deferred interest. See "Description of the Series Junior Subordinated Notes — Option to Extend Interest Payment Period" and "Certain Federal Income Tax Considerations — Original Issue Discount" and "— Market Discount." Deferred interest will bear interest to the extent permitted by applicable law, com-

pounded semi-annually, at a rate per annum equal to the Securities Rate from the date of deferral to the date of payment.

Redemption / Distribution ..... The Capital Securities are subject to mandatory redemption upon repayment of the Series Junior Subordinated Notes at maturity or their earlier redemption. The Series Junior Subordinated Notes are redeemable by the Company (in whole or in part), from time to time on or after , or at any time in whole upon the occurrence of a Special Event. If a partial redemption of the Series Junior Subordinated Notes would result in the delisting of the Capital Securities, the Company may only redeem the Series Junior Subordinated Notes in whole. Any partial redemption of the Series Junior Subordinated Notes will be effected by the redemption of an equivalent amount of Trust Securities, to be allocated approximately 97% to the Capital Securities and 3% to the Common Securities. See "Description of the Capital Securities — Redemption" and "— Special Event Redemption; Distribution of Series Junior Subordinated Notes."

The Company will have the right at any time to terminate the Trust and cause the Series Junior Subordinated Notes to be distributed to the holders of the Capital Securities in liquidation of the Trust. This right is optional and wholly within the discretion of the Company. Circumstances under which the Company may determine to exercise such right could include the occurrence of an Investment Company Act Event or a Tax Event, adverse tax consequences to the Company or the Trust that are not within the definition of a Tax Event because they do not result from an amendment or change described in such definition, and changes in the accounting requirements applicable to the Capital Securities as described under "Accounting Treatment." See "Description of the Capital Securities — Special Event Redemption; Distribution of Series Junior Subordinated Notes."

Special Event..... .... A Special Event means a Tax Event or an Investment Company Act Event. A "Tax Event" means that the Administrative Trustees and the Company shall have received an opinion from independent tax counsel experienced in such matters (which may be counsel to the Company) to the effect that, as a result of (a) any amendment to, or change (including any announced prospective change) in, the laws (or any regulations thereunder) of the United States or any political subdivision or taxing authority thereof or therein or (b) any amendment to, or change in, an interpretation or application of such laws or regulations, there is more than an insubstantial risk that (i) the Trust would be subject to United States federal income tax with respect to income accrued or received on the Series Junior Subordinated Notes, (ii) interest payable to the Trust on the Series Junior Subordinated Notes would not be deductible by the Company for United States federal income tax purposes, or (iii) the Trust would be subject to more than a *de minimis* amount of other taxes, duties or other governmental charges, which change or amendment becomes effective on or after the Issue Date. An "Investment Company Act Event" means that the Administrative Trustees and the Company shall have received an opinion of independent counsel (which may be counsel to the Company) to the effect that, as a result of a change in law or regulation or a written change in interpretation or application of law or

	regulation by any legislative body, court, governmental agency or regulatory authority after the Issue Date, there is more than an insubstantial risk that the Trust is or will be considered an investment company under the Investment Company Act of 1940, as amended (the "1940 Act").
Redemption Price	See "Description of the Capital Securities — Redemption Price."

RISK FACTORS

Prospective purchasers of Capital Securities should carefully review the information contained elsewhere in this Prospectus Supplement and in the accompanying Prospectus and should consider particularly the following matters:

Ranking of and Rights Under the Series Junior Subordinated Notes

No amounts will be available to make payments on the Capital Securities except from payments made on the Series Junior Subordinated Notes. The obligations of the Company under the Series Junior Subordinated Notes are subordinate and junior in right of payment to all present and future Senior Indebtedness of the Company. At September 30, 1996, Senior Indebtedness of the Company aggregated approximately $413,000,000. There are no terms in the Capital Securities, the Series Junior Subordinated Notes or the Guarantee that limit the Company's ability to incur additional indebtedness, including indebtedness that ranks senior to the Series Junior Subordinated Notes. See "Description of the Guarantees" and "Description of the Junior Subordinated Notes — Subordination" in the accompanying Prospectus.

Ranking of and Rights Under the Guarantee

The Company's obligations under the Guarantee are subordinate and junior in right of payment to all liabilities of the Company and will be *pari passu* with the most senior preferred stock issued by the Company. If the Company were to default in its obligation to pay amounts payable on the Series Junior Subordinated Notes, the Trust would lack available funds for the payment of distributions or amounts payable on redemption of the Capital Securities or otherwise, and in such event holders of the Capital Securities would not be able to rely upon the Guarantee for payment of such amounts.

Option to Extend Interest Payment Period

The Company has the right under the Subordinated Note Indenture, and at any time, and from time to time, to defer payments of interest on the Series Junior Subordinated Notes for a period of up to 10 consecutive semi-annual periods (each, an "Extension Period"), but not beyond the stated maturity of the Series Junior Subordinated Notes. Prior to the termination of any Extension Period, the Company may further defer payments of interest, *provided* that such Extension Period, together with all such previous and further extensions thereof, may not exceed 10 consecutive semi-annual periods. Upon the termination of any Extension Period and the payment of all amounts then due, the Company may select a new Extension Period, subject to the above requirements. There could be multiple Extension Periods of varying lengths throughout the term of the Series Junior Subordinated Notes. Deferred installments of interest on the Series Junior Subordinated Notes will bear interest to the extent permitted by applicable law, compounded semi-annually, at a rate per annum equal to the Securities Rate. The payment of such deferred interest, together with interest thereon, will be passed through to the holders of the Capital Securities as received at the end of any Extension Period.

The only restrictions on the Company's ability to defer payments of interest are that during any Extension Period the Company may not (i) pay dividends on or redeem any of its capital stock or (ii) pay principal or interest on any debt securities ranking *pari passu* with or subordinate to the Series Junior Subordinated Notes. See "Description of the Capital Securities — Distributions" and "Description of the Series Junior Subordinated Notes — Option to Extend Interest Payment Period."

Should the Company exercise its rights to defer payments of interest, each holder of Capital Securities will be required to include income in the form of OID in their gross income for United States federal income tax purposes in respect of the deferred interest allocable to its Capital Securities. As a result, holders of Capital Securities will recognize income for United States federal income tax purposes in advance of the receipt of cash and will not receive the cash from the Trust related to such income if such holders dispose of their Capital Securities prior to the record date for the date on which distributions of such amounts are made. See "Certain Federal Income Tax Considerations — Original Issue Discount" and "— Sale of Capital

Securities." **Investors should consult with their own tax advisors with respect to the tax consequences of an investment in the Capital Securities.**

The Company has no current intention of exercising its right to defer payments of interest by extending the interest payment period on the Series Junior Subordinated Notes. However, should the Company determine to exercise such right in the future, the market price of the Capital Securities is likely to be affected. A holder that disposes of its Capital Securities during an Extension Period, therefore, might not receive the same return on its investment as a holder that continues to hold its Capital Securities. In addition, as a result of the existence of the Company's right to defer interest payments, the market price of the Capital Securities (which represent an undivided beneficial interest in the Series Junior Subordinated Notes) may be more volatile than other similar securities that do not have such rights.

Special Event Redemption; Distribution of Series Junior Subordinated Notes

If a Special Event shall occur and be continuing, the Company will have the option to redeem the Series Junior Subordinated Notes in cash (with the result that the Capital Securities shall be redeemed). In addition, the Company will have the right at any time to terminate the Trust and cause the Series Junior Subordinated Notes to be distributed to the holders of the Trust Securities in liquidation of the Trust. See "Description of the Capital Securities Special Event Redemption; Distribution of Series Junior Subordinated Notes."

There can be no assurance as to the market price for the Series Junior Subordinated Notes that may be distributed in exchange for Capital Securities if a termination or liquidation of the Trust were to occur. Accordingly, the Series Junior Subordinated Notes that the investor may receive on termination and liquidation of the Trust may trade at a discount to the price that the investor paid to purchase the Capital Securities offered hereby. See "Description of the Series Junior Subordinated Notes."

Possible Tax Law Changes

On March 19, 1996, the Revenue Reconciliation Bill of 1996 (the "Bill"), the revenue portion of President Clinton's 1996 budget proposal, was released. The Bill would, among other things, generally deny interest deductions for interest on an instrument, issued by a corporation, that has a maximum term of more than 20 years and that is not shown as indebtedness on the separate balance sheet of the issuer or, where the instrument is issued to a related party (other than a corporation), where the holder or some other related party issues a related instrument that is not shown as indebtedness on the issuer's consolidated balance sheet. The above-described provisions of the Bill were proposed to be effective generally for instruments issued on or after December 7, 1995. If such provisions were to apply to the Series Junior Subordinated Notes, the Company would be unable to deduct interest on the Series Junior Subordinated Notes. However, on March 29, 1996, the Chairmen of the Senate Finance and House Ways and Means Committees issued a joint statement to the effect that it was their intention that the effective date of the President's legislative proposals, if adopted, will be no earlier than the date of appropriate Congressional action. The Company believes that, under current law, it will be able to deduct interest on the Series Junior Subordinated Notes. There can be no assurance, however, that current or future legislative proposals or final legislation will not affect the ability of the Company to deduct interest on the Series Junior Subordinated Notes. Such a change could give rise to a Tax Event, which would permit the Company to cause a redemption of the Capital Securities, as described more fully under "Description of the Capital Securities — Special Event Redemption; Distribution of Series Junior Subordinated Notes."

Limited Voting Rights

Holders of Capital Securities will have limited voting rights and, except for the rights of holders of Capital Securities to appoint a Substitute Property Trustee upon the occurrence of certain events described herein, will not be entitled to vote to appoint, remove or replace the Securities Trustees, which voting rights are vested exclusively in the holder of the Common Securities.

Trading Characteristics of Capital Securities

The Capital Securities are expected to be listed on the NYSE, subject to official notice of issuance. Accordingly, the Capital Securities are expected to trade at a price that takes into account the value, if any, of accrued and unpaid distributions; thus, purchasers will not pay and sellers will not receive accrued and unpaid interest with respect to the Capital Securities that is not included in the trading price thereof. If a Capital Security is disposed of prior to the occurrence of an Extension Period, any portion of the amount received that is attributable to accrued interest will be treated as interest to a U.S. Holder for tax purposes and will not be treated as part of the amount realized for purposes of determining gain or loss on the disposition of the Capital Security. If an Extension Period occurs, interest on the Series Junior Subordinated Notes will be included in the gross income of U.S. holders of Capital Securities as it accrues rather than when it is paid. Should an Extension Period occur, a holder who disposes of his Capital Securities between record dates for payments of distributions thereon would be required to include accrued but unpaid interest on the Series Jun. Subordinated Notes through the date of disposition in income as OID, and to add such amount to his adjusted tax basis in his pro rata share of the related Series Junior Subordinated Notes deemed disposed of. To the extent the selling price is less than the holder's adjusted tax basis, a holder generally will recognize a capital loss. Subject to certain limited exceptions, capital losses cannot be applied to offset ordinary income for United States federal income tax purposes. See "Certain Federal Income Tax Considerations — Original Issue Discount" and "— Sale of Capital Securities."

The trading price of the Capital Securities is likely to be sensitive to the level of interest rates generally. If interest rates rise in general, the trading price of the Capital Securities may decline to reflect the additional yield requirements of the purchasers. Conversely, a decline in interest rates may increase the trading price of the Capital Securities, although any increase will be moderated by the Company's ability to call the Series Junior Subordinated Notes at any time on or after at a redemption price equal to 100% of the principal amount to be redeemed plus accrued but unpaid interest. In addition, because holders of Capital Securities will be paid only from payments on the Series Junior Subordinated Notes and may receive Series Junior Subordinated Notes upon the termination of the Trust, prospective purchasers of Capital Securities are making an investment decision with regard to the Series Junior Subordinated Notes and should carefully review all the information regarding the Series Junior Subordinated Notes contained herein. See "Description of the Capital Securities — Special Event Redemption; Distribution of Series Junior Subordinated Notes" and "Description of the Series Junior Subordinated Notes."

GULF POWER CAPITAL TRUST [ ]

The Trust is a statutory business trust created under Delaware law pursuant to the filing of a certificate of trust with the Delaware Secretary of State on December 26, 1996. The Trust's business is defined in a trust agreement, executed by the Company, as Depositor, and the Delaware Trustee thereunder. This trust agreement will be amended and restated in its entirety on the Issue Date substantially in the form filed as an exhibit to the Registration Statement of which this Prospectus Supplement and the accompanying Prospectus form a part (the "Trust Agreement"). The Trust Agreement will be qualified as an indenture under the Trust Indenture Act of 1939, as amended (the "1939 Act"). The Trust exists for the exclusive purposes of (i) issuing the Trust Securities representing undivided beneficial interests in the assets of the Trust, (ii) investing the gross proceeds of the Trust Securities in the Series Junior Subordinated Notes, and (iii) engaging in only those other activities necessary, appropriate, convenient or incidental thereto. The Trust has a term of approximately years, but may terminate earlier as provided in the Trust Agreement.

Upon issuance of the Capital Securities, the purchasers thereof will own all of the Capital Securities. The Company will acquire all of the Common Securities, which will have an aggregate liquidation amount equal to approximately 3% of the total capital of the Trust. The Common Securities will rank *pari passu*, and payments will be made thereon pro rata, with the Capital Securities, except that upon the occurrence and continuance of a Subordinated Note Indenture Event of Default, the rights of the holders of Common Securities to payment in respect of distributions and payments upon liquidation, redemption and otherwise will be subordinated to the rights of the holders of the Capital Securities.

The Trust's business and affairs will be conducted by the Securities Trustees, which shall be appointed by the Company as the holder of the Common Securities. Two officers of the Company initially will serve as Administrative Trustees. The Chase Manhattan Bank will serve as Property Trustee and will hold legal title to the Series Junior Subordinated Notes issued by the Company on behalf of the Trust and the holders of the Trust Securities. Chase Manhattan Bank Delaware will serve as Delaware Trustee. In certain circumstances, the holders of a majority in liquidation amount of the Capital Securities will be entitled to appoint a Substitute Property Trustee. See "Description of the Capital Securities — Voting Rights."

The Property Trustee will hold legal title to the Series Junior Subordinated Notes for the benefit of the Trust and the holders of the Trust Securities and will have the power to exercise all rights, powers and privileges under the Subordinated Note Indenture as the holder of the Series Junior Subordinated Notes. The Property Trustee will make payments of distributions and payments on liquidation, redemption and otherwise to the holders of the Trust Securities. Subject to the right of the holders of the Capital Securities to appoint a Substitute Property Trustee in certain instances, the Company, as the holder of all the Common Securities, will have the right to appoint, remove or replace all the Securities Trustees.

The Series Junior Subordinated Notes will constitute substantially all of the assets of the Trust. Other assets that may constitute "Trust Property" (as that term is defined in the Trust Agreement) include any cash on deposit in, or owing to, the payment account as established under the Trust Agreement, as well as any other property or assets held by the Property Trustee pursuant to the Trust Agreement. In addition, the Trust may, from time to time, receive cash pursuant to the Agreement as to Expenses and Liabilities.

The rights of the holders of the Capital Securities, including economic rights, rights to information and voting rights, are as set forth in the Trust Agreement, the Delaware Business Trust Act, and the 1939 Act. See "Description of the Capital Securities."

The Trust's registered office in the State of Delaware is c/o Chase Manhattan Bank Delaware, 1201 Market Street, Wilmington, Delaware 19801. The principal place of business of the Trust shall be c/o the Company, 500 Bayfront Parkway, Pensacola, Florida 32501, telephone (904) 444-6111, Attn: Treasurer.

CAPITALIZATION

The following table sets forth the capitalization of the Company as of September 30, 1996, and as adjusted to reflect the issuances described in note (2) below. The following data is qualified in its entirety by reference to and, therefore, should be read together with the detailed information and financial statements appearing in the documents incorporated herein by reference. See also "Selected Information" in the accompanying Prospectus.

	As of September 30, 1996		
	Actual	As Adjusted(2)	
	(Thousands, except percentages)		
Common Stock Equity	$446,672	$ 446,672	42.8%
Cumulative Preferred Stock	89,602	45,102	4.3
Company Obligated Mandatorily Redeemable Preferred or Capital Securities of Subsidiary Trusts Holding Company Junior Subordinated Notes(1)	—	60,000	5.7
Long-Term Debt	331,871	492,371	47.2
Total, excluding amounts due within one year	$868,145	$1,044,145	100.0%

(1) As described herein and in the accompanying Prospectus, substantially all of the assets of the respective Trusts will be Junior Subordinated Notes of the Company with an aggregate principal amount not exceeding $61,900,000, and upon redemption of such debt, the related Securities will be mandatorily redeemable.

(2) Reflects (i) the proposed issuance of $15,000,000 of new Cumulative Preferred Stock and $160,500,000 of new First Mortgage Bonds covered by previous shelf registration filings, (ii) the proposed issuance of $60,000,000 of new Securities covered by the accompanying Prospectus, and (iii) the proposed redemption of $59,500,000 of Cumulative Preferred Stock.

ACCOUNTING TREATMENT

For financial reporting purposes, the Trust will be treated as a subsidiary of the Company and, accordingly, the accounts of the Trust will be included in the consolidated financial statements of the Company. The Capital Securities will be presented as a separate line item in the consolidated balance sheet of the Company, and appropriate disclosures concerning the Capital Securities, the Guarantee and the Series Junior Subordinated Notes will be included in the notes to the consolidated financial statements. For financial reporting purposes, the Company will record distributions payable on the Capital Securities as an expense.

DESCRIPTION OF THE CAPITAL SECURITIES

The Capital Securities will be issued pursuant to the terms of the Trust Agreement. The Trust Agreement will be qualified as an indenture under the 1939 Act. The Property Trustee will act as the indenture trustee with respect to the Trust, as well as the Guarantee, for purposes of compliance with the provisions of the 1939 Act. The terms of the Capital Securities will include those stated in the Trust Agreement, the Delaware Business Trust Act, and those made part of the Trust Agreement by the 1939 Act. The following summary of the principal terms and provisions of the Capital Securities does not purport to be complete and is subject to, and qualified in its entirety by reference to, the Trust Agreement, the form of which is filed as an exhibit to the Registration Statement of which this Prospectus Supplement and the accompanying Prospectus are a part, as well as the 1939 Act.

General

The Trust Agreement authorizes the Administrative Trustees, on behalf of the Trust, to issue the Capital Securities, which represent preferred undivided beneficial interests in the assets of the Trust and the Common Securities, which represent common undivided beneficial interests in the assets of the Trust. All of the Common Securities will be owned by the Company. The Common Securities rank *pari passu*, and payments will be made thereon on a pro rata basis, with the Capital Securities, except that upon the occurrence of a Subordinated Note Indenture Event of Default, the rights of the holders of the Common Securities to receive payment of periodic distributions and payments upon liquidation, redemption and otherwise will be subordinated to the rights of the holders of the Capital Securities. The Trust Agreement does not permit the issuance by the Trust of any securities other than the Trust Securities or the incurrence of any indebtedness by the Trust. Pursuant to the Trust Agreement, the Property Trustee will own and hold the Series Junior Subordinated Notes for the benefit of the Trust and the holders of the Trust Securities. The payment of distributions out of money held by the Trust, and payments upon redemption of the Capital Securities or liquidation of the Trust, are guaranteed by the Company on a subordinated basis as and to the extent described under "Description of the Guarantees" in the accompanying Prospectus. The Guarantee does not cover payment of distributions on the Capital Securities when the Trust does not have legally and immediately available funds sufficient to make such distributions. In such event, the remedy of a holder of Capital Securities is to direct the Property Trustee to enforce its rights under the Series Junior Subordinated Notes. If the Property Trustee fails to enforce its rights under the Series Junior Subordinated Notes, a holder of Capital Securities may, to the fullest extent permitted by applicable law, institute a legal proceeding directly against the Company to enforce its rights under the Trust Agreement without first instituting any legal proceeding against the Property Trustee or the Trust. In addition, a holder of Capital Securities may institute a legal proceeding directly against the Company, without first instituting a legal proceeding against the Property Trustee or any other person or entity, for enforcement of payment to such holder of principal of or interest on the Series Junior Subordinated Notes having a principal amount equal to the aggregate stated liquidation amount of the Capital Securities of such holder on or after the due dates specified in the Series Junior

Subordinated Notes. The above mechanisms and obligations, together with the Company's obligations under the Agreement as to Expenses and Liabilities, constitute a full and unconditional guarantee by the Company of payments due on the Capital Securities. See "— Voting Rights" below.

Distributions

Distributions on the Capital Securities will be fixed at the Securities Rate and will accrue from the Issue Date and, except in the event of an Extension Period, will be payable semi-annually in arrears on and of each year. In the event that any date on which distributions are to be made on the Capital Securities is not a Business Day, then payment of the distributions payable on such date will be made on the next succeeding day that is a Business Day (and without any interest or other payment in respect of any such delay) except that, if such Business Day is in the next succeeding calendar year, such payment shall be made on the immediately preceding Business Day, in each case with the same force and effect as if made on such date. A "Business Day" shall mean any day other than a Saturday or Sunday, a day on which banks in New York City are authorized or obligated by law or executive order to remain closed or a day on which the principal corporate trust office of the Property Trustee or the Indenture Trustee is closed for business.

Distributions payable on any Distribution Date will be payable to the holders of record on the Record Date for such Distribution Date, which is the close of business on the fifteenth calendar day preceding such Distribution Date. Subject to any applicable laws and regulations and the provisions of the Trust Agreement, each such payment will be made as described under "— Book-Entry Only Issuance — The Depository Trust Company" below. The amount of distributions payable for any period will be computed on the basis of a 360-day year of twelve 30-day months.

The Company has the right under the Subordinated Note Indenture to defer payments of interest on the Series Junior Subordinated Notes by extending the interest payment period from time to time on the Series Junior Subordinated Notes (each, an "Extension Period") which, if exercised, would defer semi-annual distributions on the Capital Securities during any such extended interest payment period. Deferred installments of interest on the Series Junior Subordinated Notes will bear interest, compounded semi-annually, at a rate per annum equal to the Securities Rate. If distributions are deferred, the deferred distributions and accrued interest thereon shall be paid, if funds are legally available therefor, to holders of record of the Capital Securities as they appear on the books and records of the Trust on the Record Date next following the termination of such Extension Period. See "Description of the Series Junior Subordinated Notes — Interest" and "— Option to Extend Interest Payment Period."

Distributions on the Capital Securities must be paid on the Distribution Dates to the extent the Trust has funds legally and immediately available for the payment of such distributions. The Trust's funds available for distribution to the holders of the Capital Securities will be limited to payments received under the Series Junior Subordinated Notes. See "Description of the Series Junior Subordinated Notes."

Redemption

The Capital Securities are subject to mandatory redemption upon repayment of the Series Junior Subordinated Notes at maturity or their earlier redemption. The Series Junior Subordinated Notes will mature on , and may be redeemed, in whole or in part, at the option of the Company, at any time on or after , or at any time in whole upon the occurrence of a Special Event. Upon the repayment of the Series Junior Subordinated Notes, whether at maturity or upon redemption, the proceeds from such repayment or payment shall simultaneously be applied to redeem a like amount of Trust Securities upon not less than 30 nor more than 60 days' notice, at the Redemption Price (as defined below). See "Description of the Series Junior Subordinated Notes — Optional Redemption." If a partial redemption of the Series Junior Subordinated Notes would result in the delisting of the Capital Securities, the Company may only redeem the Series Junior Subordinated Notes in whole. In the event that fewer than all of the outstanding Trust Securities are to be redeemed, the Capital Securities to be redeemed will be selected as described under "— Book-Entry Only Issuance — The Depository Trust Company" below. If the Capital Securities are no longer in book-entry only form, the Capital Securities to be redeemed will be selected by

such method as the Property Trustee shall deem fair and appropriate and which may provide for the selection for redemption of portions (equal to $ or integral multiples thereof) of the aggregate liquidation amount of Capital Securities of a denomination larger than $; provided, however, that before undertaking the redemption of the Capital Securities on other than a pro rata basis, the Property Trustee shall have received an opinion of counsel that the status of the Trust as a grantor trust for federal income tax purposes would not be adversely affected.

Special Event Redemption; Distribution of Series Junior Subordinated Notes

Upon the occurrence of a Special Event at any time, the Company will have the option to redeem the Series Junior Subordinated Notes in whole (and thus cause the redemption of the Capital Securities in whole). A Special Event is either an Investment Company Act Event or a Tax Event.

An "Investment Company Act Event" means that the Administrative Trustees and the Company shall have received an opinion of independent counsel (which may be counsel to the Company) to the effect that, as a result of a change in law or regulation or a written change in interpretation or application of law or regulation by any legislative body, court, governmental agency or regulatory authority after the Issue Date, there is more than an insubstantial risk that the Trust is or will be considered an investment company under the 1940 Act.

"Tax Event" means that the Administrative Trustees and the Company shall have received an opinion from independent tax counsel experienced in such matters (which may be counsel to the Company) to the effect that, as a result of (a) any amendment to, or change (including any announced prospective change) in, the laws (or any regulations thereunder) of the United States or any political subdivision or taxing authority thereof or therein or (b) any amendment to, or change in, an interpretation or application of such laws or regulations, there is more than an insubstantial risk that (i) the Trust would be subject to United States federal income tax with respect to income accrued or received on the Series Junior Subordinated Notes, (ii) interest payable to the Trust on the Series Junior Subordinated Notes would not be deductible by the Company for United States federal income tax purposes or (iii) the Trust would be subject to more than a *de minimis* amount of other taxes, duties or other governmental charges, which change or amendment becomes effective on or after the Issue Date. See "Risk Factors — Possible Tax Law Changes."

The Company will have the right at any time to terminate the Trust and, after satisfaction of liabilities to creditors of the Trust, if any, cause the Series Junior Subordinated Notes to be distributed to the holders of the Trust Securities in liquidation of the Trust. See "— Liquidation Distribution Upon Dissolution" below. This right is optional and wholly within the discretion of the Company. Circumstances under which the Company may determine to exercise such right could include the occurrence of an Investment Company Act Event or a Tax Event, adverse tax consequences to the Company or the Trust that are not within the definition of a Tax Event because they do not result from an amendment or change described in such definition, and changes in the accounting requirements applicable to the Capital Securities as described under "Accounting Treatment."

If Series Junior Subordinated Notes are distributed to the holders of the Capital Securities, the Company will use its best efforts to have the Series Junior Subordinated Notes listed on the NYSE or on such other exchange as the Capital Securities are then listed. After the date for any distribution of Series Junior Subordinated Notes upon termination of the Trust, (i) the Capital Securities and the Guarantee will no longer be deemed to be outstanding, (ii) the depositary or its nominee, as the record holder of the Capital Securities, will receive a registered global certificate or certificates representing the Series Junior Subordinated Notes to be delivered upon such distribution and (iii) any certificates representing Capital Securities and the Guarantee not held by the depositary or its nominee will be deemed to represent Series Junior Subordinated Notes having an aggregate principal amount equal to the aggregate stated liquidation amount of, with an interest rate identical to the Securities Rate of, and accrued and unpaid interest equal to accrued and unpaid distributions on, such Capital Securities, until such certificates are presented to the Company or its agent for transfer or reissuance.

There can be no assurance as to the market prices for the Capital Securities or the Series Junior Subordinated Notes that may be distributed in exchange for the Capital Securities if a termination and liquidation of the Trust were to occur. Accordingly, the Capital Securities that an investor may purchase, or the Series Junior Subordinated Notes that the investor may receive on termination and liquidation of the Trust, may trade at a discount to the price that the investor paid to purchase the Capital Securities offered hereby.

Redemption Price

"Redemption Price", in the case of an optional redemption on or after , shall equal the following prices expressed in percentages of the principal amount of the Series Junior Subordinated Notes being redeemed together with accrued interest to but excluding the date fixed for redemption. If redeemed during the 12-month period beginning , :

Year	Redemption Price
	%
	%
	%
	%
	%
	%
	%
	%
	%
	%

and at 100% on or after , .

"Redemption Price", in the case of a redemption following a Special Event prior to , means a price equal to the greater of (i) 100% of the principal amount of the Series Junior Subordinated Notes being redeemed or (ii) as determined by an Independent Investment Banker, the sum of the present values of the remaining scheduled payments of principal of and interest on the Series Junior Subordinated Notes being redeemed discounted to the date of redemption on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at a discount rate equal to the Treasury Yield plus basis points, plus, for (i) and (ii) above, whichever is applicable, accrued interest to the date of redemption.

"Treasury Yield" means, with respect to any redemption date, the rate per annum equal to the semi-annual equivalent yield to maturity of the Comparable Treasury Issue, assuming a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for such redemption date.

"Comparable Treasury Issue" means the United States Treasury security selected by an Independent Investment Banker as having a maturity comparable to the remaining term of Series Junior Subordinated Notes to be redeemed that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to the remaining term of the Series Junior Subordinated Notes.

"Comparable Treasury Price" means, with respect to any redemption date, (i) the average of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) on the third business day in New York City preceding such redemption date, as set forth in the most recent weekly statistical release (or any successor release) published by the Federal Reserve Bank of New York and designated "H.15(519)" or (ii) if such release (or any successor release) is not published or does not contain such prices on such business day, the Reference Treasury Dealer Quotation for such redemption date.

"Independent Investment Banker" means an independent investment banking institution of national standing appointed by the Company.

"Reference Treasury Dealer" means a primary US Government securities dealer in New York City appointed by the Company and reasonably acceptable to the Indenture Trustee.

"Reference Treasury Dealer Quotation" means, with respect to the Reference Treasury Dealer and any redemption date, the average, as determined by the Indenture Trustee, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount and quoted in writing to the Indenture Trustee by such Reference Treasury Dealer at 5:00 p.m. on the third business day in New York City preceding such redemption date).

Redemption Procedures

In the event that fewer than all of the Trust Securities are to be redeemed, then the aggregate liquidation amount of the Trust Securities to be redeemed shall be allocated 97% to the Capital Securities and 3% to the Common Securities.

The Capital Securities redeemed on each redemption date shall be redeemed at the Redemption Price with the proceeds from the contemporaneous redemption of the Series Junior Subordinated Notes. The Redemption Price of Capital Securities shall be deemed payable on each redemption date only to the extent that the Trust has funds legally and immediately available for payment of such Redemption Price.

If the Property Trustee gives a notice of redemption in respect of Capital Securities (which notice will be irrevocable), then, by 2:00 P.M., New York City time, on the redemption date, subject to the immediately preceding paragraph, the Property Trustee will irrevocably deposit with the securities depositary, so long as the Capital Securities are in book-entry only form, sufficient funds to pay the applicable Redemption Price. See "— Book-Entry Only Issuance — The Depository Trust Company" below. If the Capital Securities are no longer in book-entry only form, the Property Trustee, subject to the immediately preceding paragraph, shall irrevocably deposit with the Paying Agent funds sufficient to pay the applicable Redemption Price and will give the Paying Agent irrevocable instructions to pay the Redemption Price to the holders thereof upon surrender of their Capital Securities certificates. If notice of redemption shall have been given and funds deposited as required, then immediately prior to the close of business on the date of such deposit, distributions will cease to accrue and all rights of holders of such Capital Securities so called for redemption will cease, except the right of the holders of such Capital Securities to receive the Redemption Price, but without interest on such Redemption Price. In the event that any date fixed for redemption of Capital Securities is not a Business Day, then payment of the Redemption Price payable on such date will be made on the next succeeding day which is a Business Day (and without any interest or other payment in respect of any such delay), except that, if such Business Day falls in the next calendar year, such payment will be made on the immediately preceding Business Day. In the event that payment of the Redemption Price in respect of Capital Securities is improperly withheld or refused and not paid either by the Trust or by the Company pursuant to the Guarantee, distributions on such Capital Securities will continue to accrue at the then applicable rate, from such redemption date originally established by the Trust for such Capital Securities to the date such Redemption Price is actually paid. See "— Events of Default" below, "Relationship Among the Capital Securities, the Series Junior Subordinated Notes and the Guarantee" and "Description of the Guarantees — Events of Default" in the accompanying Prospectus.

Subject to the foregoing and to applicable law (including, without limitation, United States federal securities laws), the Company or its affiliates may, at any time and from time to time, purchase outstanding Capital Securities by tender, in the open market or by private agreement.

Book-Entry Only Issuance — The Depository Trust Company

The Depository Trust Company ("DTC") will act as the initial securities depositary for the Capital Securities. The Capital Securities will be issued only as fully registered securities registered in the name of Cede & Co., DTC's nominee. One or more fully registered global Capital Securities certificates will be issued, representing in the aggregate the total number of Capital Securities, and will be deposited with DTC.

DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the 1934 Act. DTC holds securities that its parti ,ants ("Participants") deposit with DTC. DTC also facilitates the settlement among Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in Participants' accounts, thereby eliminating the need for physical movement of securities certificates. Direct Participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations ("Direct Participants"). DTC is owned by a number of its Direct Participants and by the NYSE, the American Stock Exchange, Inc., and the National Associatio.. of Securities Dealers, Inc. Access to the DTC system is also available to others such as securities brokers and dealers, banks and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The rules applicable to DTC and its Participants are on file with the Commission.

Purchases of Capital Securities within the DTC system must be made by or through Direct Participants, which will receive a credit for the Capital Securities on DTC's records. The ownership interest of each actual purchaser of Capital Securities ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchases, but Beneficial Owners are expected to receive written confirmations providing details of the transactions, as well as periodic statements of their holdings, from the Direct or Indirect Participants through which the Beneficial Owners purchased Preferred Securities. Transfers of ownership interests in the Capital Securities are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Capital Securities, except in the event that use of the book-entry system for the Capital Securities is discontinued.

DTC has no knowledge of the actual Beneficial Owners of the Capital Securities. DTC's records reflect only the identity of the Direct Participants to whose accounts such Capital Securities are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owne s will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all of the Capital Securities are being redeemed, DTC will reduce the amount of the interest of each Direct Participant in the Capital Securities in accordance with its procedures.

Although voting with respect to the Capital Securities is limited, in those cases where a vote is required, neither DTC nor Cede & Co. will itself consent or vote with respect to Capital Securities. Under its usual procedures, DTC would mail an Omnibus Proxy to the Trust as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Capital Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Distribution payments on the Capital Securities will be made to DTC. DTC's practice is to credit Direct Participants' accounts on the relevant payment date in accordance with their respective holdings shown on DTC's records unless DTC has reason to believe that it will not receive payments on such payment date. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the account of customers registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trust, any trustee or the Company, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of distributions to DTC is the responsibility of the Trust, disbursement of such payments to Direct Participants is the responsibility of

DTC, and disbursement of such payments to the Beneficial Owners is the responsibility of Direct and Indirect Participants.

Except as provided herein, a Beneficial Owner in a global Capital Security will not be entitled to receive physical livery of Capital Securities. Accordingly, each Beneficial Owner must rely on the procedures of DTC to exercise any rights under the Capital Securities. The laws of some jurisdictions require that certain purchasers of securities take physical delivery of securities in definitive form. Such laws may impair the ability to transfer beneficial interests in a global Capital Security.

DTC may discontinue providing its services as securities depositary with respect to the Capital Securities at any time by giving reasonable notice to the Trust. Under such circumstances, in the event that a successo. securities depositary is not obtained, Capital Securities certificates will be printed and delivered to the holders of record. Additionally, the Company may decide to discontinue use of the system of book-entry transfers through DTC (or a successor depositary) with respect to the Capital Securities. In that event, certificates for the Capital Securities will be printed and delivered to the holders of record.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Company and the Trust believe to be reliable, but the Company and the Trust take no responsibility for the accuracy thereof. The Trust has no responsibility for the performance by DTC or its Participants of their respective obligations as described herein or under the rules and procedures governing their respective operations.

Liquidation Distribution Upon Dissolution

Pursuant to the Trust Agreement, the Trust shall terminate on , or earlier upon (i) the occurrence of a Bankruptcy Event (as defined in the Trust Agreement) in respect of the Company, dissolution or liquidation of the Company, or dissolution of the Trust pursuant to a judicial decree; (ii) the delivery of written direction to the Property Trustee by the Company, as Depositor, at any time (which direction is optional and wholly within the discretion of the Company, as Depositor) to terminate the Trust and distribute the Series Junior Subordinated Notes to the holders of the Trust Securities in liquidation of the Trust (see "— Special Event Redemption; Distribution of Series Junior Subordinated Notes" above); or (iii) the payment at maturity or redemption of all of the Series Junior Subordinated Notes, and the consequent payment of the Trust Securities.

If an early termination occurs as described in clause (i) or (ii) above, the Trust shall be liquidated, and the Property Trustee shall distribute to each holder of Capital Securities and Common Securities a like amount of Series Junior Subordinated Notes, unless in the case of an event described in clause (i) such distribution is determined by the Administrative Trustees not to be practical, in which event such holders will be entitled to receive, out of the assets of the Trust available for distribution to holders after satisfaction of liabilities to creditors, an amount equal to the aggregate of the stated liquidation preference of $ per Trust Security plus accrued and unpaid distributions thereon to the date of payment (such amount being the "Liquidation Distribution"). If such Liquidation Distribution can be paid only in part because the Trust has insufficient assets available to pay in full the aggregate Liquidation Distribution, then subject to the next succeeding sentence, the amounts payable directly by the Trust on the Trust Securities shall be paid on a pro rata basis. The holder of the Common Securities will be entitled to receive distributions upon any such dissolution pro rata with the holders of the Capital Securities, except that if a Subordinated Note Indenture Event of Default has occurred and is continuing, the holders of Capital Securities shall have a preference over the holders of Common Securities.

Events of Default

Any one of the following events constitutes an "Event of Default" under the Trust Agreement ("Trust Agreement Event of Default") with respect to the Trust Securities issued thereunder (whatever the reason for such Event of Default, and whether it shall be voluntary or involuntary or be effected by operation of law or

pursuant to any judgment, decree or order of any court or any order, rule or regulation of any administrative or governmental body):

(i) the occurrence of an "Event of Default" as defined in Section 501 of the Subordinated Note Indenture ("Subordinated Note Indenture Event of Default") (see "Description of the Junior Subordinated Notes — Events of Default" in the accompanying Prospectus); or

(ii) default by the Trust in the payment of any distribution when it becomes due and payable, and the continuation of such default for a period of 30 days; or

(iii) default by the Trust in the payment of any Redemption Price of any Capital Security or Common Security when it becomes due and payable; or

(iv) default in the performance, or breach, of any covenant or warranty of the Securities Trustees in the Trust Agreement (other than a covenant or warranty a default in the performance of which or the breach of which is dealt with in clause (ii) or (iii) above), and continuation of such default or breach for a period of 60 days after there has been given, by registered or certified mail, to such Securities Trustees by the holders of at least 10% in liquidation amount of the outstanding Capital Securities a written notice specifying such default or breach and requiring it to be remedied and stating that such notice is a "Notice of Default" under the Trust Agreement; or

(v) the occurrence of certain events of bankruptcy or insolvency with respect to the Trust.

Within 90 days after the occurrence of any Trust Agreement Event of Default, the Property Trustee shall transmit notice of any default known to the Property Trustee to the holders of Trust Securities and the Company, unless such Trust Agreement Event of Default shall have been cured or waived.

If a Trust Agreement Event of Default occurs and is continuing, then, pursuant to the Trust Agreement, holders of a majority in aggregate liquidation amount of Capital Securities have the right to direct the exercise of any trust or power conferred upon the Property Trustee under the Trust Agreement, including the right to direct the Property Trustee under the Trust Agreement to exercise the remedies available to it as holder of the Series Junior Subordinated Notes. If the Property Trustee fails to enforce its rights under the Series Junior Subordinated Notes, a holder of Capital Securities may, to the fullest extent permitted by applicable law, institute a legal proceeding directly against the Company to enforce its rights under the Trust Agreement without first instituting any legal proceeding against the Property Trustee or the Trust. Notwithstanding the foregoing, a holder of Capital Securities may institute a legal proceeding directly against the Company, without first instituting a legal proceeding against the Property Trustee or any other person or entity, for enforcement of payment to such holder of principal of or interest on the Series Junior Subordinated Notes having a principal amount equal to the aggregate stated liquidation amount of the Capital Securities of such holder on or after the due dates specified in the Series Junior Subordinated Notes. See "Relationship Among the Capital Securities, the Series Junior Subordinated Notes and the Guarantee" herein and "Description of the Guarantees — Events of Default" in the accompanying Prospectus.

Unless a Subordinated Note Indenture Event of Default shall have occurred and be continuing, the Securities Trustees may be removed at any time by act of the holder of the Common Securities. If a Subordinated Note Indenture Event of Default has occurred and is continuing, any Securities Trustee may be removed at such time by act of the holders of a majority in liquidation amount of the Preferred Securities, delivered to the appropriate Securities Trustee (in its individual capacity and on behalf of the Trust). No resignation or removal of any Securities Trustee and no appointment of a successor shall be effective until the acceptance of appointment by the successor Trustee in accordance with the requirements of the Trust Agreement.

If a Subordinated Note Indenture Event of Default has occurred and is continuing, the holders of Capital Securities shall have a preference over the holders of Common Securities upon dissolution of the Trust as described above. See "— Liquidation Distribution Upon Dissolution."

Voting Rights

Except as provided below and under "Description of the Guarantees — Amendments and Assignment" in the accompanying Prospectus and as otherwise required by law and the Trust Agreement, the holders of the Capital Securities will have no voting rights.

If any proposed amendment to the Trust Agreement provides for, or the Securities Trustees otherwise propose to effect, (i) any action that would adversely affect the powers, preferences or special rights of the Capital Securities, whether by way of amendment to the Trust Agreement or otherwise, or (ii) the dissolution, winding-up or termination of the Trust, other than pursuant to the Trust Agreement, then the holders of outstanding Capital Securities will be entitled to vote as a class on such amendment or proposal of the Securities Trustees, and such amendment or proposal shall not be effective except with the approval of the holders of at least 66⅔% in liquidation amount of such outstanding Capital Securities.

So long as any Series Junior Subordinated Notes are held by the Property Trustee, the Securities Trustees shall not (i) direct the time, method and place of conducting any proceeding for any remedy available to the Indenture Trustee (as defined herein), or executing any trust or power conferred on the Indenture Trustee with respect to the Series Junior Subordinated Notes, (ii) waive any past default which is waivable under Section 513 of the Subordinated Note Indenture, (iii) exercise any right to rescind or annul a declaration that the principal of all the Series Junior Subordinated Notes shall be due and payable, or (iv) consent to any amendment, modification or termination of the Subordinated Note Indenture or the Series Junior Subordinated Notes, where such consent shall be required, or to any other action, as the holder of the Series Junior Subordinated Notes, under the Subordinated Note Indenture, without, in each case, obtaining the prior approval of the holders of at least 66⅔% in liquidation amount of the outstanding Capital Securities; *provided, however*, that where a consent under the Subordinated Note Indenture would require the consent of each holder of Series Junior Subordinated Notes affected thereby, no such consent shall be given by the Securities Trustees without the prior consent of each holder of Capital Securities. The Securities Trustees shall not revoke any action previously authorized or approved by a vote of the holders of the Capital Securities, except pursuant to a subsequent vote of such holders. The Property Trustee shall notify all holders of the Capital Securities of any notice of default received from the Indenture Trustee with respect to the Series Junior Subordinated Notes. In addition to obtaining the foregoing approvals of the holders of the Capital Securities, prior to taking any of the foregoing actions, the Securities Trustees shall obtain an opinion of counsel experienced in such matters to the effect that the Trust will not be classified as other than a grantor trust for federal income tax purposes on account of such action.

Any required approval of holders of Capital Securities may be given at a separate meeting of holders of Capital Securities convened for such purpose or pursuant to written consent. The Administrative Trustees will cause a notice of any meeting at which holders of Capital Securities are entitled to vote to be given to each holder of record of Capital Securities in the manner set forth in the Trust Agreement.

Notwithstanding that holders of Capital Securities are entitled to vote or consent under any of the circumstances described above, any of the Capital Securities that are owned by the Company, the Securities Trustees or any affiliate of the Company or any Securities Trustee, shall, for purposes of such vote or consent, be treated as if they were not outstanding.

Co-Property Trustees and Separate Property Trustee

At any time or times, for the purpose of meeting the legal requirements of the 1939 Act or of any jurisdiction in which any part of the Trust Property (as defined in the Trust Agreement) may at the time be located, the holder of the Common Securities and the Property Trustee shall have power to appoint, and upon the written request of the Property Trustee, the Company, as Depositor, shall for such purpose join with the Property Trustee in the execution, delivery and performance of all instruments and agreements necessary or proper to appoint, one or more persons approved by the Property Trustee either to act as co-property trustee, jointly with the Property Trustee, of all or any part of such Trust Property, or to act as separate trustee of any such property, in either case with such powers as may be provided in the instrument of appointment, and to vest in such person or persons in such capacity, any property, title, right or power deemed necessary or

desirable, subject to the provisions of the Trust Agreement. If the Company, as Depositor, does not join in such appointment within 15 days after the receipt by it of a request so to do, or in case a Subordinated Note Indenture Event of Default has occurred and is continuing, the Property Trustee alone shall have power to make such appointment.

Amendment of the Trust Agreement

The Trust Agreement may be amended from time to time by the Company and the Securities Trustees without the consent of the holders of the Trust Securities (i) to cure any ambiguity, correct or supplement any provision therein which may be inconsistent with any other provision therein, or to make any other provisions with respect to matters or questions arising under the Trust Agreement, which shall not be inconsistent with the other provisions of the Trust Agreement, *provided* that the amendment does not adversely affect in any material respect the interests of any holder of Trust Securities, or (ii) to modify, eliminate or add to any provisions of the Trust Agreement to such extent as shall be necessary to ensure that the Trust will not be classified as other than a grantor trust for federal income tax purposes. Except as provided in the succeeding paragraph, other amendments to the Trust Agreement may be made (i) upon approval of the holders of not less than 66⅔% in aggregate liquidation amount of the Trust Securities then outstanding and (ii) upon receipt by the Securities Trustees of an opinion of counsel to the effect that such amendment will not affect the Trust's status as a grantor trust or the Trust's exemption from the 1940 Act.

Notwithstanding the foregoing, without the consent of each affected holder of Trust Securities, the Trust Agreement may not be amended to (i) change the amount or timing of any distribution on the Trust Securities or otherwise adversely affect the amount of any distribution required to be made in respect of the Trust Securities as of a specified date, (ii) restrict the right of a holder of Trust Securities to institute suit for the enforcement of any such payment on or after such date, or (iii) change the consent required to amend the Trust Agreement.

Mergers, Consolidations or Amalgamations

The Trust may not consolidate, amalgamate, merge with or into, or be replaced by, or convey, transfer or lease its properties and assets substantially as an entirety to any corporation or other body, except as described below. The Trust may at the request of the Company, with the consent of the Administrative Trustees and without the consent of the holders of the Trust Securities, consolidate, amalgamate, merge with or into, or be replaced by a trust organized as such under the laws of any state; *provided*, that (i) such successor entity either (x) expressly assumes all of the obligations of the Trust with respect to the Trust Securities or (y) substitutes for the Capital Securities other securities having substantially the same terms as the Trust Securities (the "Successor Securities") so long as the Successor Securities rank the same as the Trust Securities rank in priority with respect to distributions and payments upon liquidation, redemption and otherwise, (ii) the Company expressly appoints a trustee of such successor entity possessing the same powers and duties as the Property Trustee as the holder of the Junior Subordinated Notes, (iii) the Capital Securities or any Successor Securities are listed, or any Successor Securities will be listed upon notification of issuance, on any national securities exchange or other organization on which the Capital Securities are then listed, (iv) such merger, consolidation, amalgamation or replacement does not cause the Capital Securities (including any Successor Securities) to be downgraded by any nationally recognized statistical rating organization, (v) such merger, consolidation, amalgamation or replacement does not adversely affect the rights, preferences and privileges of the holders of the Trust Securities (including any Successor Securities) in any material respect, (vi) such successor entity has a purpose substantially identical to that of the Trust, (vii) prior to such merger, consolidation, amalgamation or replacement, the Company has received an opinion of counsel to the effect that (A) such merger, consolidation, amalgamation or replacement does not adversely affect the rights, preferences and privileges of the holders of the Trust Securities (including any Successor Securities) in any material respect, and (B) following such merger, consolidation, amalgamation or replacement, neither the Trust nor such successor entity will be required to register as an investment company under the 1940 Act, and (viii) the Company guarantees the obligations of such successor entity under the Successor Securities at least to the extent provided by the Guarantee. Notwithstanding the foregoing, the

Trust shall not, except with the consent of holders of 100% in liquidation amount of the Trust Securities, consolidate, amalgamate, merge with or into, or be replaced by any other entity or permit any other entity to consolidate, amalgamate, merge with or into, or replace it if such consolidation, amalgamation, merger or replacement would cause the Trust or the successor entity to be classified as other than a grantor trust for federal income tax purposes.

Any corporation or other body into which any of the Property Trustee, the Delaware Trustee or any Administrative Trustee that is not a natural person may be merged or converted or with which it may be consolidated, or any corporation or other body resulting from any merger, conversion or consolidation to which any such Securities Trustee shall be a party, or any corporation or other body succeeding to all or substantially all the corporate trust business of any such Securities Trustee, shall be the successor of such Securities Trustee under the Trust Agreement, *provided* such corporation is otherwise qualified and eligible under the Trust Agreement.

Payment and Paying Agent

So long as DTC is acting as securities depositary for the Capital Securities, payments in respect of the Capital Securities shall be made to DTC, which is to credit the relevant accounts at DTC on the applicable Distribution Dates. If the Capital Securities are not held by DTC, such payments shall be made by check mailed to the address of the holder entitled thereto as such address shall appear on the Securities Register (as such term is defined in the Trust Agreement). The Paying Agent shall initially be the Property Trustee. The Paying Agent shall be permitted to resign as Paying Agent upon 30 days' written notice to the Administrative Trustees and the Company. In such event, the Administrative Trustees shall appoint a successor to act as Paying Agent.

Registrar and Transfer Agent

It is anticipated that the Property Trustee, or one of its affiliates, will act as registrar and transfer agent (the "Securities Registrar") for the Capital Securities.

Registration of transfers of Capital Securities will be effected without charge by or on behalf of the Trust, but upon payment in respect of any tax or other governmental charges which may be imposed in relation to it.

The Securities Registrar will not be required to register or cause to be registered any transfer of Capital Securities after they have been called for redemption.

Information Concerning the Property Trustee

The Property Trustee, prior to the occurrence of a Trust Agreement Event of Default with respect to the Trust Securities, undertakes to perform only such duties as are specifically set forth in the Trust Agreement and, after default, shall exercise the same degree of care as a prudent individual would exercise in the conduct of his or her own affairs. Subject to such provisions, the Property Trustee is under no obligation to exercise any of the powers vested in it by the Trust Agreement at the request of any holder of Capital Securities, unless offered reasonable indemnity by such holder against the costs, expenses and liabilities which might be incurred thereby.

The Chase Manhattan Bank, the Property Trustee, also serves as Indenture Trustee and Guarantee Trustee. The Company and certain of its affiliates maintain deposit accounts and banking relationships with The Chase Manhattan Bank. The Chase Manhattan Bank serves as trustee under other indentures pursuant to which securities of the Company and affiliates of the Company are outstanding.

Governing Law

The Trust Agreement and the Trust Securities will be governed by, and construed in accordance with, the internal laws of the State of Delaware; provided that the immunities and standard of care of the Property Trustee shall be governed by New York law.

Miscellaneous

The Administrative Trustees are authorized and directed to operate the Trust so that the Trust will not be deemed to be an "investment company" required to be registered under the 1940 Act or taxed as other than a grantor trust f federal income tax purposes and so that the Series Junior Subordinated Notes will be treated as indebtedness of the Company for federal income tax purposes. In this connection, the Administrative Trustees and the Company are authorized to take any action, not inconsistent with applicable law, the Trust's certificate of trust or the Trust Agreement, that the Administrative Trustees and the Company determine in their discretion to be necessary or desirable for such purposes, as long as such action does not materially and adversely affect the interests of the holders of the Preferred Securities.

DESCRIPTION OF THE SERIES JUNIOR SUBORDINATED NOTES

Set forth below is a description of the specific terms of the Series Junior Subordinated Notes. This description supplements, and should be read together with, the description of the general terms and provisions of the Junior Subordinated Notes set forth in the accompanying Prospectus under the caption "Description of the Junior Subordinated Notes." The following description does not purport to be complete and is subject to, and is qualified in its entirety by reference to, the description in the accompanying Prospectus and the Subordinated Note Indenture (as defined therein).

General

The Series Junior Subordinated Notes will be issued as a series of Junior Subordinated Notes under the Subordinated Note Indenture. The Series Junior Subordinated Notes will be limited in aggregate principal amount to $, such amount being the approximate aggregate liquidation amount of the Trust Securities.

The entire principal amount of the Series Junior Subordinated Notes will mature and become due and payable, together with any accrued and unpaid interest thereon, including Additional Interest, if any, on . The Series Junior Subordinated Notes are not subject to any sinking fund provision.

The terms of the Series Junior Subordinated Notes correspond to those of the Capital Securities, as described herein.

Optional Redemption

The Company shall have the right to redeem the Series Junior Subordinated Notes at a Redemption Price as described under "Description of the Capital Securities — Redemption Price", in whole or in part, from time to time, on or after , or at any time in whole upon the occurrence of a Special Event as described under "Description of the Capital Securities — Special Event Redemption or Distribution," upon not less than 30 nor more than 60 days' notice. If a partial redemption of the Series Junior Subordinated Notes would result in the delisting of the Capital Securities, the Company may only redeem the Series Junior Subordinated Notes in whole.

Interest

Each Series Junior Subordinated Note shall bear interest at the Securities Rate from the Issue Date, payable semi-annually in arrears on and of each year to the person in whose name such Series Junior Subordinated Note is registered at the close of business on the fifteenth calendar day prior to such payment date. The amount of interest payable will be computed on the basis of a 360-day year of twelve 30-day months. In the event that any date on which interest is payable on the Series Junior Subordinated Notes is not a Business Day, then payment of the interest payable on such date will be made on the next succeeding day which is a Business Day (and without any interest or other payment in respect of any such delay), except that, if such Business Day is in the next succeeding calendar year, such payment shall be

made on the immediately preceding Business Day, in each case with the same force and effect as if made on such date.

Option to Extend Interest Payment Period

The Company shall have the right at any time, and from time to time, to defer payments of interest on the Series Junior Subordinated Notes by extending the interest payment period for up to 10 consecutive semi-annual periods, but not beyond the stated maturity date. At the end of an Extension Period, the Company shall pay all interest then accrued and unpaid (including any Additional Interest) (together with interest thereon at the Securities Rate compounded semi-annually); *provided*, that if the Company shall have given notice of its election to select an Extension Period, (a) the Company shall not declare or pay any dividend or distribution on, or redeem, purchase, acquire or make a liquidation payment with respect to, any of its capital stock or make any guarantee payments with respect to the foregoing, and (b) the Company shall not make any payment of interest, principal or premium, if any, on or repay, repurchase or redeem any debt securities (including guarantees other than the Guarantee) issued by the Company which rank *pari passu* with or junior to the Series Junior Subordinated Notes. Prior to the termination of any Extension Period, the Company may further defer payments of interest by extending the interest payment period, *provided* that such Extension Period, together with all such previous and further extensions thereof, may not exceed 10 consecutive semi-annual periods. Upon the termination of any Extension Period and the payment of all amounts then due, the Company may select a new Extension Period, subject to the above requirements. The Company has no present intention of exercising its rights to defer payments of interest by extending the interest payment period on the Series Junior Subordinated Notes. See "Certain Federal Income Tax Considerations — Original Issue Discount."

The Company shall give the holder or holders of the Series Junior Subordinated Notes and the Indenture Trustee notice of its selection or extension of an Extension Period at least one Business Day prior to the earlier of (i) the record date relating to the interest payment date on which the Extension Period is to commence or relating to the interest payment date on which an Extension Period that is being extended would otherwise terminate or (ii) the date the Company or the Trust is required to give notice to the NYSE or other applicable self-regulatory organization of the record date or the date such distributions are payable.

Book-Entry and Issuance

If distributed to holders of Trust Securities in connection with the voluntary or involuntary dissolution, winding-up or liquidation of the Trust, the Series Junior Subordinated Notes are expected to be issued in the form of one or more global certificates registered in the name of the securities depositary or its nominee. In such event, the procedures applicable to the transfer and payment of the Series Junior Subordinated Notes are expected to be substantially similar to those described with respect to the Preferred Securities in "Description of the Capital Securities — Book-Entry Only Issuance — The Depository Trust Company."

RELATIONSHIP AMONG THE CAPITAL SECURITIES, THE SERIES JUNIOR SUBORDINATED NOTES AND THE GUARANTEE

As long as payments of interest and other payments are made when due on the Series Junior Subordinated Notes, such payments will be sufficient to cover distributions and payments due on the Trust Securities primarily because (i) the aggregate principal amount of Series Junior Subordinated Notes will be equal to the sum of the aggregate stated liquidation amount of the Trust Securities; (ii) the interest rate and interest and other payment dates on the Series Junior Subordinated Notes will match the distribution rate and distribution and other payment dates for the Capital Securities; (iii) the Company shall pay for all costs and expenses of the Trust pursuant to the Agreement as to Expenses and Liabilities; and (iv) the Trust Agreement provides that the Securities Trustees shall not cause or permit the Trust to, among other things, engage in any activity that is not consistent with the purposes of the Trust.

Payments of distributions (to the extent funds therefor are legally and immediately available) and other payments due on the Capital Securities (to the extent funds therefor are legally and immediately available)

are guaranteed by the Company as and to the extent set forth under "Description of the Guarantees" in the accompanying Prospectus. If the Company does not make interest payments on the Series Junior Subordinated Notes, it is not expected that the Trust will have sufficient funds to pay distributions on the Ca·'tal Securities. The Guarantee is a guarantee from the time of its issuance, but does not apply to any payment of distributions unless and until the Trust has sufficient funds legally and immediately available for the payment of such distributions.

If the Company fails to make interest or other payments on the Series Junior Subordinated Notes when due (taking into account any Extension Period), the Trust Agreement provides a mechanism whereby the holders of the Capital Securities may appoint a substitute Property Trustee. Such holders may also direct the Property Trustee to enforce its rights under the Series Junior Subordinated Notes, including proceeding directly against the Company to enforce the Series Junior Subordinated Notes. If the Property Trustee fails to enforce its rights under the Series Junior Subordinated Notes, to the fullest extent permitted by applicable law, any holder of Capital Securities may institute a legal proceeding directly against the Company to enforce the Property Trustee's rights under the Series Junior Subordinated Notes without first instituting any legal proceeding against the Property Trustee or any other person or entity. Notwithstanding the foregoing, a holder of Capital Securities may institute a legal proceeding directly against the Company, without first instituting a legal proceeding against the Property Trustee or any other person or entity, for enforcement of payment to such holder of principal of or interest on the Series Junior Subordinated Notes having a principal amount equal to the aggregate stated liquidation amount of the Capital Securities of such holder on or after the due dates specified in the Series Junior Subordinated Notes.

If the Company fails to make payments under the Guarantee, the Guarantee provides a mechanism whereby the holders of the Capital Securities may direct the Guarantee Trustee to enforce its rights thereunder. In addition, any holder of Capital Securities may institute a legal proceeding directly against the Company to enforce the Guarantee Trustee's rights under the Guarantee without first instituting a legal proceeding against the Guarantee Trustee or any other person or entity.

The Guarantee, the Subordinated Note Indenture, the Series Junior Subordinated Notes, the Trust Agreement and the Agreement as to Expenses and Liabilities, as described above, constitute a full and unconditional guarantee by the Company of the payments due on the Capital Securities.

Upon any voluntary or involuntary dissolution, winding-up or termination of the Trust, unless the Series Junior Subordinated Notes are distributed in connection therewith, the holders of Capital Securities will be entitled to receive, out of assets legally available for distribution to holders, the Liquidation Distribution in cash. See "Description of the Capital Securities — Liquidation Distribution Upon Dissolution." Upon any voluntary or involuntary liquidation or bankruptcy of the Company, the Property Trustee, as holder of the Series Junior Subordinated Notes, would be a subordinated creditor of the Company, subordinated in right of payment to all Senior Indebtedness, but entitled to receive payment in full of principal and interest, before any stockholders of the Company receive payments or distributions. Because the Company is guarantor under the Guarantee and has agreed to pay for all costs, expenses and liabilities of the Trust (other than the Trust's obligations to holders of the Capital Securities) pursuant t the Agreement as to Expenses and Liabilities, the positions of a holder of Capital Securities and a holder of Series Junior Subordinated Notes relative to other creditors and to stockholders of the Company in the event of liquidation or bankruptcy of the Company would be substantially the same.

A default or event of default under any Senior Indebtedness would not constitute a default or Event of Default under the Subordinated Note Indenture. However, in the event of payment defaults under, or acceleration of, Senior Indebtedness, the subordination provisions of the Series Junior Subordinated Notes provide that no payments may be made in respect of the Series Junior Subordinated Notes until such Senior Indebtedness has been paid in full or any payment default thereunder has been cured or waived. Failure to make required payments on the Series Junior Subordinated Notes would constitute an Event of Default under the Subordinated Note Indenture except that failure to make interest payments on the Series Junior Subordinated Notes will not be an Event of Default during an Extension Period; provided, however, that any

Extension Period may not exceed 10 consecutive semi-annual periods or extend beyond the stated maturity of the Series Junior Subordinated Notes.

CERTAIN FEDERAL INCOME TAX CONSIDERATIONS

The following is a summary of certain material United States federal income tax consequences of the ownership and disposition of the Capital Securities and constitutes the opinion of Troutman Sanders LLP, counsel to the Company and the Trust, insofar as it relates to matters of law and legal conclusions. This summary deals only with Capital Securities held as capital assets within the meaning of Section 1221 of the Internal Revenue Code of 1986, as amended to the date hereof (the "Code"), by Holders (as defined herein). Moreover, it does not discuss all of the tax consequences that may be relevant to a Holder in light of his particular circumstances or to Holders subject to special rules, such as certain financial institutions, insurance companies, dealers in securities, individual retirement and certain tax deferred accounts, and persons who engage in a straddle or a hedge relating to a Capital Security. Prospective investors should consult their own tax advisors with regard to the application of the tax considerations discussed below to their particular situations as well as the application of any state, local or other tax laws. This summary is based on laws, existing and proposed regulations, and applicable judicial and administrative determinations, all of which are subject to change at any time, and any such changes may be retroactively applied in a manner that could adversely affect Holders. As used herein, the term "Holder" means a beneficial owner of a Capital Security that for United States federal income tax purposes is (i) a citizen or resident of the United States, (ii) a corporation, partnership or other entity created or organized in or under the laws of the United States or of any political subdivision thereof, or (iii) an estate or trust the income of which is subject to United States federal income taxation regardless of its source. Thus, the following summary does not address any tax consequences that apply specifically to nonresident aliens or foreign entities.

Treatment of the Trust and Capital Securities for Federal Income Tax Purposes

The Trust will be treated as a "grantor trust" and not as an association taxable as a corporation for federal income tax purposes. Thus, for federal income tax purposes, each Holder will be treated as the beneficial owner of a pro rata undivided interest in the Series Junior Subordinated Notes and, consequently, will be required to include in income the Holder's pro rata share of the entire income from the Series Junior Subordinated Notes. Each Holder generally will determine its net income or loss with respect to the Trust in accordance with its own method of accounting, although income arising from OID, if any, must be taken into account under the accrual method of accounting even if the Holder otherwise would use the cash receipts and disbursements method.

Payments of Interest

Except as set forth below, stated interest on a Series Junior Subordinated Note will generally be taxable to a Holder as ordinary income at the time it is paid or accrued in accordance with the Holder's own method of accounting.

Original Issue Discount

Under income tax regulations that recently became effective, the Company believes that the Series Junior Subordinated Notes will not be treated as issued with OID. It should be noted that these regulations have not yet been addressed in any rulings or other interpretations by the Internal Revenue Service (the "IRS"). Accordingly, it is possible that the IRS could take a position contrary to the interpretations described herein.

The terms of the Series Junior Subordinated Notes permit the Company to defer the payment of interest on the Series Junior Subordinated Notes at any time and from time to time by extending the interest payment period for up to 10 consecutive semi-annual periods with respect to each Extension Period; provided, however, that no Extension Period may extend beyond the stated maturity date of the Series Junior Subordinated Notes. Should the Company exercise this option to defer payments of interest, the

Series Junior Subordinated Notes would at that time be treated as issued with OID and all the stated interest payments on the Series Junior Subordinated Notes would thereafter be treated as OID for so long as they remained outstanding. As a result, all Holders would, in effect, be required to accrue interest income even if such Holders are on a cash method of accounting. Consequently, in the event that the payment of interest is deferred, a Holder could be required to include OID in income on an economic accrual basis, notwithstanding that the Company will not make any interest payments during such period on the Series Junior Subordinated Notes.

Market Discount

A purchaser of a Capital Security at a discount from the liquidation amount at maturity of such purchaser's pro rata share of the Series Junior Subordinated Notes acquires such Capital Security with "market discount." However, market discount with respect to a Capital Security will be considered to be zero if it is de minimis. Market discount will be de minimis with respect to a Capital Security if it is less than the product of (i) 0.25% of the adjusted issue price of the purchaser's pro rata share of the Series Junior Subordinated Notes multiplied by (ii) the number of complete years to maturity of such Series Junior Subordinated Notes after the date of purchase. The purchaser of a Capital Security with more than a de minimis amount of market discount generally will be required to treat any gain on the sale, exchange, redemption or other disposition of all or part of the Capital Securities (or related Series Junior Subordinated Notes) as ordinary income to the extent of accrued (but not previously taxed) market discount. Market discount generally will accrue ratably during the period from the date of purchase of such Capital Security to the maturity date of the Series Junior Subordinated Notes, unless the Holder irrevocably elects to accrue such market discount on the basis of a constant interest rate.

A Holder who has acquired a Capital Security at a market discount generally will be required to defer any deductions of interest expense attributable to any indebtedness incurred or continued to purchase or carry the Capital Security, to the extent such interest expense exceeds the related interest income. Any such deferred interest expense generally will be allowable as a deduction not later than the year in which the related market discount income is recognized. As an alternative to the inclusion of market discount in income upon disposition of all or a portion of a Capital Security or the related Series Junior Subordinated Notes (including redemptions thereof), a Holder may make an election (which may not be revoked without the Internal Revenue Service's consent) to include market discount in income as it accrues on all market discount instruments acquired by the Holder during or after the taxable year for which the election is made. In that case, the preceding deferral rule for interest expense will not apply.

In lieu of the foregoing treatment of market discount and interest expense, a Holder may elect to treat any market discount (including a de minimis amount) as OID and accrue such discount on a constant-yield basis in the same manner as the Holder accrues OID.

Sale of Capital Securities

Upon the sale, retirement (including redemption) or other taxable disposition of all or part of a Capital Security, a Holder thereof will recognize gain or loss equal to the difference between the amount realized on such sale, retirement or other disposition and such Holder's adjusted tax basis in the Capital Security or part thereof. If the Holder disposes of a Capital Security prior to the occurrence of an Extension Period, any portion of the amount received that is attributable to accrued interest will be treated as interest income to the Holder and will not be treated as part of the amount realized for purposes of determining gain or loss on the disposition of the Capital Security. Any recognized gain or loss will be capital gain or loss, except to the extent of any accrued market discount (see "Market Discount" above), and such capital gain or loss will be long-term if the holding period for the Capital Security is more than one year at the time of sale, retirement or other disposition. A Holder's adjusted tax basis in a Capital Security acquired by purchase will equal the cost of such Capital Security to the Holder, increased by the amount of any related accrued OID and market discount included in taxable income by the Holder and reduced by any prior payments on the Series Junior Subordinated Notes distributed on the Capital Security. The redemption of only part of a Capital Security will require an allocation of the Holder's adjusted tax basis in his pro rata share of the related Series Junior

Subordinated Notes between the portion of the Series Junior Subordinated Notes redeemed and retained by the Holder in order to determine gain or loss.

Receipt of Series Junior Subordinated Notes Upon Liquidation of the Trust

As described under "Description of the Capital Securities — Special Event Redemption; Distribution of Series Junior Subordinated Notes," Series Junior Subordinated Notes may be distributed to Holders in exchange for the Capital Securities and in liquidation of the Trust. Such a distribution would be treated as a non-taxable event to each Holder and each Holder would receive an aggregate tax basis in the Holder's Series Junior Subordinated Notes equal to the Holder's aggregate tax basis in its Capital Securities. A Holder's holding period with respect to the Series Junior Subordinated Notes so received in liquidation of the Trust would include the period for which the Capital Securities were held by such Holder.

Information Reporting to Holders

Income on the Capital Securities will be reported to Holders on Form 1099, which form should be mailed to Holders of Capital Securities by January 31 following each calendar year.

Backup Withholding

A Holder may be subject to "backup withholding" under certain circumstances. Backup withholding applies to a Holder if the Holder, among other things, (i) fails to furnish his social security number or other taxpayer identification number ("TIN") to the payor responsible for backup withholding (for example, the Holder's securities broker), (ii) furnishes such payor an incorrect TIN, (iii) fails to provide such payor with a certified statement, signed under penalties of perjury, that the TIN provided to the payor is correct and that the Holder is not subject to backup withholding, or (iv) fails to report properly interest and dividends on his tax return. Backup withholding, however, does not apply to payments made to certain exempt recipients, such as corporations and tax-exempt organizations. The backup withholding rate is 31% of "reportable payments," which generally will include distributions of interest and principal payments on the Series Junior Subordinated Notes.

Possible Tax Law Changes

On March 19, 1996, the Revenue Reconciliation Bill of 1996 (the "Bill"), the revenue portion of President Clinton's 1996 budget proposal, was released. The Bill would, among other things, generally deny interest deductions for interest on an instrument, issued by a corporation, that has a maximum term of more than 20 years and that is not shown as indebtedness on the separate balance sheet of the issuer or, where the instrument is issued to a related party (other than a corporation), where the holder or some other related party issues a related instrument that is not shown as indebtedness on the issuer's consolidated balance sheet. The above-described provisions of the Bill were proposed to be effective generally for instruments issued on or after December 7, 1995. If such provisions were to apply to the Series Junior Subordinated Notes, the Company would be unable to deduct interest on the Series Junior Subordinated Notes. However, on March 29, 1996, the Chairmen of the Senate Finance and House Ways and Means Committees issued a joint statement to the effect that it was their intention that the effective date of the President's legislative proposal, if adopted, will be no earlier than the date of appropriate Congressional action. The Company believes that, under current law, it will be able to deduct interest on the Series Junior Subordinated Notes. There can be no assurance, however, that current or future legislative proposals or final legislation will not affect the ability of the Company to deduct interest on the Series Junior Subordinated Notes. Such a change could give rise to a Tax Event, which would permit the Company to cause a redemption of the Capital Securities, as described more fully under "Description of the Capital Securities — Special Event Redemption; Distribution of Series Junior Subordinated Notes."

THE FEDERAL INCOME TAX DISCUSSION SET FORTH ABOVE MAY NOT BE APPLICABLE TO A HOLDER, DEPENDING UPON A HOLDER'S PARTICULAR SITUATION, AND THEREFORE EACH HOLDER SHOULD CONSULT HIS TAX ADVISOR WITH RESPECT TO THE TAX CONSEQUENCES OF THE OWNERSHIP AND DISPOSITION OF CAPITAL SECURITIES, INCLUDING THE TAX CONSEQUENCES UNDER STATE, LOCAL, FOREIGN AND OTHER TAX LAWS AND THE POSSIBLE EFFECTS OF CHANGES IN FEDERAL OR OTHER TAX LAW.

UNDERWRITING

Subject to the terms and conditions set forth in an underwriting agreement (the "Underwriting Agreement"), the Trust has agreed to sell to the Underwriters named below, and the Underwriters, for whom is acting as representative (the "Representative"), have severally agreed to purchase the number of Capital Securities set forth opposite their respective names below. In the Underwriting Agreement, th Underwriters have agreed, subject to the terms and conditions set forth therein, to purchase all of the Capital Securities offered hereby if any of the Capital Securities are purchased.

Name	Number of Capital Securities
Total	

The Underwriters have advised the Company and the Trust that they propose to offer the Capital Securities in part directly to the public at the price to the public, as set forth on the cover page of this Prospectus Supplement, and in part to certain securities dealers at such price less a concession not in excess of $ per Capital Security. The Underwriters may allow, and such dealers may reallow, a con ession not in exces of $ per Capital Security to certain other dealers. After the Capital Securities are released for sale to the public, the offering price and other selling terms may from time to time be varied by the Underwriters.

Prior to this offering, there has been no public market for the Capital Securites. The Representative has advised the Company and the Trust that it intends to make a market in the Capital Securities. The Representative will have no obligation to make a market in the Capital Securities, however, and may cease market making activities, if commenced, at any time.

The Company and the Trust have agreed to indemnify the Underwriters against certain liabilities, including liabilities under the 1933 Act.

Certain of the Underwriters engage in transactions with, and, from time to time, have performed services for, the Company and its affiliates in the ordinary course of business.

LEGAL OPINIONS

Certain matters of Delaware law relating to the validity of the Capital Securities will be passed upon on behalf of the Company and the Trust by Richards, Layton & Finger, Wilmington, Delaware, special Delaware counsel to the Company and the Trust. The validity of the Series Junior Subordinated Notes, the Guarantee and certain matters relating thereto will be passed upon on behalf of the Company by Beggs & Lane, Pensacola, Florida, and by Troutman Sanders LLP, Atlanta, Georgia. Troutman Sanders LLP will also pass upon certain matters relating to United States federal income tax considerations. Certain legal matters will be passed upon for the Underwriters by Dewey Ballantine, New York, New York.

GLOSSARY

1933 Act	The Securities Act of 1933, as amended.
1934 Act	The Securities Exchange Act of 1934, as amended.
1939 Act	The Trust Indenture Act of 1939, as amended.
1940 Act	The Investment Company Act of 1940, as amended.
Additional Interest	Amounts payable by the Company as defined under "Description of the Junior Subordinated Notes — Additional Interest" in the accompanying Prospectus.
Administrative Trustees	Linda Malone and Wayne Boston.
Agreement as to Expenses and Liabilities	The agreement between the Company and the Trust pursuant to which the Company has agreed to pay all indebtedness, expenses or liabilities of the Trust, other than the Trust's obligations to pay to the holders of the Capital Securities the amounts due such holders pursuant to the terms thereof.
Capital Securities	The Trust Securities being offered to investors pursuant to this Prospectus Supplement and the accompanying Prospectus.
Code	The Internal Revenue Code of 1986, as amended.
Common Securities	The Trust Securities being sold to the Company.
Company	Gulf Power Company.
Delaware Trustee	Chase Manhattan Bank Delaware.
DTC	The Depository Trust Company, a "clearing corporation" that initially will hold (through its agents) a global certificate evidencing the Capital Securities.
Distribution Dates	and of each year.
Extension Period	Any period during which interest is not paid on the Series Junior Subordinated Notes (and, consequently, on the Capital Securities) at the election of the Company to the extent permitted under the terms of the Series Junior Subordinated Notes.
Guarantee	The guarantee by the Company of the payments by the Trust on the Capital Securities from funds available in the Trust.
Guarantee Payments	Payments required to be made pursuant to the Guarantee as described in "Description of the Guarantees — General" in the accompanying Prospectus.
Guarantee Trustee	The trustee under the Guarantee; initially, The Chase Manhattan Bank.
Indenture Trustee	The trustee under the Subordinated Note Indenture; initially, The Chase Manhattan Bank.
Issue Date	The date set forth on the cover page on which the Series Junior Subordinated Notes and Capital Securities are scheduled to be issued.

Investment Company Act Event	An event of the type described in "Description of the Capital Securities — Special Event Redemption; Distribution of Series Junior Subordinated Notes."
NYSE	New York Stock Exchange.
Property Trustee	A trustee under the Trust designated to hold the trust property; initially The Chase Manhattan Bank.
Record Date	The close of business on the 15th calendar day prior to a Distribution Date.
Redemption Price	As described under "Description of Capital Securities — Redemption Price."
Securities Rate	The per annum interest rate expressed as a percentage of the stated liquidation amount of $ per Capital Security, and set forth on the cover page of this Prospectus Supplement
Securities Trustees	The Property Trustee, Administrative Trustees and Delaware Trustee.
Senior Indebtedness	Indebtedness of the Company described hereunder under "Description of the Junior Subordinated Notes — Subordination" in the accompanying Prospectus.
Series Junior Subordinated Notes	The Series % junior subordinated deferrable interest notes of the Company due .
Special Event	A Tax Event or Investment Company Act Event.
Subordinated Note Indenture	The indenture pursuant to which the Company's Series Junior Subordinated Notes will be issued.
Subordinated Note Indenture Event of Default	As described under "Description of the Junior Subordinated Notes — Events of Default" in the accompanying Prospectus.
Tax Event	An event of the type described in "Description of the Capital Securities — Special Event Redemption; Distribution of Series Junior Subordinated Notes."
Trust	Gulf Power Capital Trust , a Delaware business trust that will issue the Trust Securities.
Trust Agreement	The agreement pursuant to which the Trust is organized as it may be amended and restated from time to time.
Trust Agreement Event of Default	As described under "Description of the Capital Securities — Events of Default."
Trust Securities	The Capital Securities and the Common Securities.

No dealer, salesperson or other individual has been authorized to give any information or to make any representations other than those contained or incorporated by reference in this Prospectus Supplement or the Prospectus in connection with the offer made by this Prospectus Supplement and the Prospectus and, if given or made, such information or representations must not be relied upon as having been authorized by the Company, Gulf Power Capital Trust [ ] or the Underwriters. Neither the delivery of this Prospectus Supplement or the Prospectus nor any sale made hereunder or thereunder shall under any circumstance create an implication that there has been no change in the affairs of the Company or Gulf Power Capital Trust [ ] since the date hereof. This Prospectus Supplement and the Prospectus do not constitute an offer or solicitation by anyone in any state in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to anyone to whom it is unlawful to make such offer or solicitation.

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[ ] Capital Securities

Gulf Power Capital Trust [ ]

% Capital Securities
(Liquidation amount $ per Capital Security)
Fully and unconditionally guaranteed, as set forth herein, by

Gulf Power Company

a subsidiary of The Southern Company

PROSPECTUS SUPPLEMENT

Information contained herein is subject to completion or amendment. A registration statement relating to these securities has been filed with the Securities and Exchange Commission. These securities may not be sold nor may offers to buy be accepted prior to the time the registration statement becomes effective. This prospectus shall not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities in any State in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such State.

SUBJECT TO COMPLETION, DATED JANUARY 3, 1997

PROSPECTUS

$60,000,000
Gulf Power Company
Junior Subordinated Notes

Gulf Power Capital Trust I
Gulf Power Capital Trust II
Trust Preferred Securities and Capital Securities
Fully and unconditionally guaranteed, as set forth herein, by
Gulf Power Company
a subsidiary of The Southern Company

Gulf Power Company, a Maine corporation (the "Company"), may offer, from time to time, its junior subordinated notes (the "Junior Subordinated Notes") in one or more series. The Junior Subordinated Notes will be unsecured obligations of the Company and will be subordinate and junior in right of payment to Senior Indebtedness (as defined herein) of the Company.

Gulf Power Capital Trust I and Gulf Power Capital Trust II, each a statutory business trust created under the laws of the State of Delaware (individually, a "Trust" and collectively, the "Trusts"), may offer, from time to time, trust preferred securities (collectively, the "Preferred Securities") and capital securities (collectively, the "Capital Securities" and, together with the Preferred Securities, the "Securities") representing preferred undivided beneficial interests in the assets of the respective Trusts. The Company will own all the common securities (the "Common Securities" and, together with the Securities, the "Trust Securities") representing common undivided beneficial interests in the assets of the respective Trusts. The payment of periodic cash distributions on the Securities of each Trust and payments on liquidation or redemption with respect to such Securities, in each case to the extent such Trust has funds legally and immediately available therefor, will be guaranteed by the Company as described herein (individually, a "Guarantee" and collectively, the "Guarantees"). See "Description of the Guarantees." The Company's obligations under each Guarantee will be subordinate and junior in right of payment to all of its other liabilities and will rank *pari passu* (equal in priority) with the most senior preferred stock of the Company. Concurrently with the issuance by a Trust of its Securities, such Trust will invest the proceeds thereof and of the Company's purchase of the Common Securities of such Trust in a related series of Junior Subordinated Notes of the Company with terms corresponding to the terms of such Trust's Securities. Junior Subordinated Notes may subsequently be distributed pro rata to holders of the Trust Securities of a Trust in connection with the termination of such Trust upon the occurrence of certain events as may be described in an accompanying Prospectus Supplement.

As described herein, the Company will, through each Guarantee, the Subordinated Note Indenture, the Junior Subordinated Notes of the related series, the related Trust Agreement and the related Agreement as to Expenses and Liabilities, fully and unconditionally guarantee all of each Trust's obligations with respect to its Securities.

Specific terms of the Junior Subordinated Notes of any series or the Securities of any Trust in respect of which this Prospectus is being delivered will be set forth in an accompanying Prospectus Supplement with respect to such securities, which will describe, without limitation and where applicable, the following: (a) in the case of Junior Subordinated Notes, the specific designation, aggregate principal amount, denominations, maturity, interest payment dates, interest rate (or the method of determining such rate), any redemption, exchange or sinking fund provisions, and any other specific terms of the offering, and (b) in the case of Securities, the specific designation, number of Securities, liquidation amount per security, distribution rate (or the method of determining such rate), dates on which distributions will be payable, voting rights, any redemption, exchange or sinking fund provisions, and any other rights, preferences, privileges, limitations and restrictions.

The Junior Subordinated Notes and Securities may be offered in amounts, at prices and on terms to be determined at the time of offering; provided, however, that the aggregate initial public offering price of all Junior Subordinated Notes and Securities shall not exceed $60,000,000.

The Prospectus Supplement relating to any series of Junior Subordinated Notes or Securities will contain information concerning certain United States federal income tax considerations, if applicable to such Junior Subordinated Notes or Securities.

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

The Junior Subordinated Notes and Securities may be sold directly, through agents, underwriters or dealers as designated from time to time, or through a combination of such methods. See "Plan of Distribution." If agents or any underwriters or dealers are involved in the sale of Junior Subordinated Notes or Securities in respect of which this Prospectus is being delivered, the names of such agents, underwriters or dealers and any applicable commissions or discounts will be set forth in or may be calculated from the Prospectus Supplement with respect to such Junior Subordinated Notes or Securities.

January , 1997

AVAILABLE INFORMATION

The Company and the Trusts have filed with the Securities and Exchange Commission (the "Commission") a combined registration statement on Form S-3 (the "Registration Statement," which term encompasses any amendments thereof and exhibits thereto) under the Securities Act of 1933, as amended (the "1933 Act"). As permitted by the rules and regulations of the Commission, this Prospectus does not contain all of the information set forth in the Registration Statement and the exhibits and schedules thereto, to which reference is hereby made.

The Company is subject to the informational requirements of the Securities Exchange Act of 1934, as amended (the "1934 Act"), and in accordance therewith files reports and other information with the Commission. Such reports and other information can be inspected and copied at the public reference facilities of the Commission at 450 Fifth Street, N.W., Washington, D.C. 20549, and at the Commission's Regional Offices at 500 West Madison Street, Suite 1400, Chicago, Illinois 60661 and Seven World Trade Center, 13th Floor, New York, New York 10048. Copies of such material can also be obtained at prescribed rates by writing to the Public Reference Section of the Commission at 450 Fifth Street, N.W., Washington, D.C. 20549. The Commission maintains a Web site that contains reports, proxy and information statements and other information regarding registrants including the Company that file electronically at http://www.sec.gov. In addition, reports and other material concerning the Company can be inspected at the offices of the New York Stock Exchange, 20 Broad Street, New York, New York 10005, on which Exchange certain of the Company's securities are listed.

No separate financial statements of any Trust are included herein. The Company considers that such statements would not be material to holders of the Securities because each Trust has no independent operations and exists for the sole purpose of investing the proceeds of the sale of its Trust Securities in Junior Subordinated Notes.

INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE

The following documents have been filed with the Commission pursuant to the 1934 Act and are incorporated herein by reference and made a part of this Prospectus:

(a) the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1995;

(b) the Company's Quarterly Reports on Form 10-Q for the quarters ended March 31, 1996, June 30, 1996 and September 30, 1996; and

(c) the Company's Current Reports on Form 8-K dated January 17, 1996, February 21, 1996 and November 6, 1996.

All documents filed by the Company with the Commission pursuant to Section 13(a), 13(c), 14 or 15(d) of the 1934 Act subsequent to the date of this Prospectus and prior to the termination of this offering shall be deemed to be incorporated herein by reference and made a part of this Prospectus from the date of filing of such documents. Any statement contained in a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded for purposes of this Prospectus to the extent that a statement contained herein or in any other subsequently filed document which also is or is deemed to be incorporated by reference herein modifies or supersedes such statement. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Prospectus.

The Company will provide without charge to each person to whom this Prospectus is delivered, on the written or oral request of any such person, a copy of any or all documents incorporated herein by reference (other than the exhibits to such documents unless such exhibits are specifically incorporated by reference). Such requests should be directed to Warren E. Tate, Secretary and Treasurer, Gulf Power Company, 500 Bayfront Parkway, Pensacola, Florida 32501, telephone: (904) 444-6111.

SELECTED INFORMATION

The following material, which is presented herein solely to furnish limited introductory information regarding the Company, has been selected from, or is based upon, the detailed information and financial statements appearing in the documents incorporated herein by reference or elsewhere in this Prospectus, is qualified in its entirety by reference thereto and, therefore, should be read together therewith.

Gulf Power Company

Business	Generation, transmission, distribution and sale of electric energy
Service Area	Approximately 7,400 square miles within the northwestern portion of the State of Florida
Service Area Population (1990 Census)	Approximately 740,000
Customers at December 31, 1995	325,114
Generating Capacity at December 31, 1995 (kilowatts)	2,173,900
Sources of Generation during 1995 (kilowatt-hours)	Coal (99%), Gas and Oil (1%)
Sources of Generation Estimated for 1996 (kilowatt-hours)	Coal (99%), Gas and Oil (1%)

Selected Financial Information

	Year Ended December 31,					12 Months Ended November 30,
	1991	1992	1993	1994	1995	1996(1)
	(Thousands, except ratios)					(Unaudited)
Operating Revenues	$ 565,207	$ 570,902	$ 583,142	$ 578,813	$ 619,077	$ 635,408
Income Before Interest Charges	107,854	98,422	96,088	93,407	92,693	92,361
Net Income After Dividends on Preferred Stock	57,796	54,090	54,311	55,229	57,154	56,475
Ratio of Earnings to Fixed Charges(2)	3.13	3.32	3.57	3.89	4.25	4.16
Ratio of Earnings to Fixed Charges Plus Preferred Dividend Requirements (Pre-Income Tax Basis)(3)	2.67	2.77	2.87	3.04	3.28	3.22

(Notes on following page)

	Capitalization (Unaudited) as of September 30, 1996		
	Actual	As Adjusted(4)	
	(Thousands, except percentages)		
Common Stock Equity	$446,672	$ 446,672	42.8%
Cumulative Preferred Stock	89,602	45,102	4.3
Company Obligated Mandatorily Redeemable Preferred or Capital Securities of Subsidiary Trusts Holding Company Junior Subordinated Notes(5)	—	60,000	5.7
Long-Term Debt	331,871	492,371	47.2
Total, excluding amounts due within one year	$868,145	$1,044,145	100.0%

(1) See "Recent Results of Operations" herein.

(2) This ratio is computed as follows: (i) "Earnings" have been calculated by adding to "Income Before Interest Charges" all income taxes deducted therefrom and the debt portion of allowance for funds used during construction, and (ii) "Fixed Charges" consist of "Net Interest Charges" plus the debt portion of allowance for funds used during construction.

(3) In computing this ratio, "Preferred Dividend Requirements" represent the before tax earnings necessary to pay such dividends, computed at the effective tax rates for the applicable periods.

(4) Reflects (i) the proposed issuance of $15,000,000 of new Cumulative Preferred Stock and $160,500,000 of new First Mortgage Bonds covered by previous shelf registration filings, (ii) the proposed issuance of $60,000,000 of new Securities and (iii) the proposed redemption of $59,500,000 of Cumulative Preferred Stock.

(5) As described in this Prospectus, substantially all of the assets of the respective Trusts will be the Junior Subordinated Notes of the Company with an aggregate principal amount not exceeding $61,900,000, and upon redemption of such debt, the related Securities will be mandatorily redeemable.

GULF POWER COMPANY

The Company is a corporation organized under the laws of the State of Maine on November 2, 1925, and was admitted to do business in Florida on January 15, 1926, in Mississippi on October 25, 1976 and in Georgia on November 20, 1984. The principal executive offices of the Company are located at 500 Bayfront Parkway, Pensacola, Florida 32501, and the telephone number is (904) 444-6111.

The Company is a wholly owned subsidiary of The Southern Company, a holding company registered under the Public Utility Holding Company Act of 1935. The Company is engaged, within the northwestern portion of the State of Florida, in the generation and purchase of electricity and the distribution and sale of such electricity at retail in 71 communities as well as in rural areas, and at wholesale to a nonaffiliated utility and to a municipality.

THE TRUSTS

Each Trust is a statutory business trust created under Delaware law pursuant to the filing of a certificate of trust with the Delaware Secretary of State on December 26, 1996. Each Trust's business is defined in a trust agreement, executed by the Company, as Depositor, and the Delaware Trustee thereunder. This trust agreement of each Trust will be amended and restated in its entirety substantially in the form filed as an exhibit to the Registration Statement of which this Prospectus forms a part (the "Trust Agreement"). Each Trust Agreement will be qualified as an indenture under the Trust Indenture Act of 1939, as amended (the "1939 Act"). Each Trust exists for the exclusive purposes of (i) issuing its Trust Securities representing undivided beneficial interests in the assets of such Trust, (ii) investing the gross proceeds of its Trust Securities in a related series of Junior Subordinated Notes, and (iii) engaging in only those other activities necessary, appropriate, convenient or incidental thereto.

Each Trust's business and affairs will be conducted by its trustees, which shall be appointed by the Company as the holder of the Common Securities: two officers of the Company as Administrative Trustees; The Chase Manhattan Bank as Property Trustee; and Chase Manhattan Bank Delaware as Delaware Trustee. The Property Trustee of each Trust will act as the indenture trustee with respect to such Trust for purposes of compliance with the provisions of the 1939 Act.

The principal place of business of each Trust shall be c/o the Company, 500 Bayfront Parkway, Pensacola, Florida 32501, telephone (904) 444-6111, Attn: Treasurer.

Reference is made to the Prospectus Supplement relating to the Securities of a Trust for further information concerning such Trust.

ACCOUNTING TREATMENT

For financial reporting purposes, the Trusts will be treated as subsidiaries of the Company and, accordingly, the accounts of the Trusts will be included in the consolidated financial statements of the Company. The Securities will be presented as a separate line item in the consolidated balance sheet of the Company, and appropriate disclosures concerning the Securities, the Guarantees and the Junior Subordinated Notes will be included in the notes to the consolidated financial statements. For financial reporting purposes, the Company will record distributions payable on the Securities as an expense.

USE OF PROCEEDS

Each Trust will invest the proceeds received from the sale of its Securities in Junior Subordinated Notes. Except as may be otherwise described in an applicable Prospectus Supplement, the net proceeds received by the Company from such investment will be used in connection with its ongoing construction program, to pay scheduled maturities and/or refundings of its securities, to repay short-term indebtedness to the extent outstanding and for other general corporate purposes.

RECENT RESULTS OF OPERATIONS

For the twelve months ended November 30, 1996, "Operating Revenues", "Income Before Interest Charges", and "Net Income After Dividends on Preferred Stock" were $635,408,000, $92,361,000 and $56,473,000, respectively. In the opinion of the management of the Company, the above amounts for the twelve months ended November 30, 1996 reflect all adjustments (which, except as described in the following paragraph, were only normal recurring adjustments) necessary to present fairly the results of operations for such period. The "Ratio of Earnings to Fixed Charges" and the "Ratio of Earnings to Fixed Charges Plus Preferred Dividend Requirements (Pre-Income Tax Basis)" for the twelve months ended November 30, 1996 were 4.16 and 3.22, respectively.

"Income Before Interest Charges" and "Net Income After Dividends on Preferred Stock" for the twelve months ended November 30, 1996 reflect charges of approximately $5,000,000, after taxes, reflecting benefits provided pursuant to a work force reduction program announced in the fourth quarter of 1995.

DESCRIPTION OF THE JUNIOR SUBORDINATED NOTES

Set forth below is a description of the general terms of the Junior Subordinated Notes. The following description does not purport to be complete and is subject to, and is qualified in its entirety by reference to, the Subordinated Note Indenture, dated as of , between the Company and The Chase Manhattan Bank, as trustee (the "Indenture Trustee"), as to be supplemented by a supplemental indenture thereto establishing the Junior Subordinated Notes of each series (the Subordinated Note Indenture, as so supplemented, is hereinafter referred to as the "Subordinated Note Indenture"), the forms of which are filed as exhibits to the Registration Statement of which this Prospectus forms a part. The terms of the Junior Subordinated Notes will include those stated in the Subordinated Note Indenture and those made a part of

the Subordinated Note Indenture by reference to the 1939 Act. Certain capitalized terms used herein are defined in the Subordinated Note Indenture.

General

The Junior Subordinated Notes will be issued as unsecured junior subordinated debt securities under the Subordinated Note Indenture. The Subordinated Note Indenture does not limit the aggregate principal amount of Junior Subordinated Notes that may be issued thereunder and provides that Junior Subordinated Notes may be issued from time to time in one or more series pursuant to an indenture supplemental to the Subordinated Note Indenture.

Reference is made to the Prospectus Supplement that will accompany this Prospectus for the following terms of the series of Junior Subordinated Notes being offered thereby: (i) the title of such Junior Subordinated Notes; (ii) any limit on the aggregate principal amount of such Junior Subordinated Notes; (iii) the date or dates on which the principal of such Junior Subordinated Notes is payable; (iv) the rate or rates at which such Junior Subordinated Notes shall bear interest, if any, or any method by which such rate or rates will be determined, the date or dates from which such interest will accrue, the interest payment dates on which such interest shall be payable, and the regular record date for the interest payable on any interest payment date; (v) the place or places where the principal of (and premium, if any) and interest, if any, on such Junior Subordinated Notes shall be payable; (vi) the period or periods within which, the price or prices at which and the terms and conditions on which such Junior Subordinated Notes may be redeemed, in whole or in part, at the option of the Company; (vii) the obligation, if any of the Company to redeem or purchase such Junior Subordinated Notes; (viii) the denominations in which such Junior Subordinated Notes shall be issuable; (ix) if other than the principal amount thereof, the portion of the principal amount of such Junior Subordinated Notes which shall be payable upon declaration of acceleration of the maturity thereof; (x) any deletions from, modifications of or additions to the Events of Default or covenants of the Company as provided in the Subordinated Note Indenture pertaining to such Junior Subordinated Notes; (xi) whether such Junior Subordinated Notes shall be issued in whole or in part in the form of a Global Security; (xii) the right, if any, of the Company to extend the interest payment periods of such Junior Subordinated Notes; and (xiii) any other terms of such Junior Subordinated Notes. The terms of each series of Junior Subordinated Notes issued to a Trust will correspond to those of the related Securities of such Trust as described in the Prospectus Supplement relating to such Securities.

The Subordinated Note Indenture does not contain provisions that afford holders of Junior Subordinated Notes protection in the event of a highly leveraged transaction involving the Company.

Subordination

The Junior Subordinated Notes are subordinated and junior in right of payment to all Senior Indebtedness (as defined below) of the Company. No payment of principal of (including redemption payments, if any), or premium, if any, or interest on (including Additional Interest (as defined herein)) the Junior Subordinated Notes may be made if (a) any Senior Indebtedness is not paid when due and any applicable grace period with respect to such default has ended with such default not being cured or waived or otherwise ceasing to exist, or (b) the maturity of any Senior Indebtedness has been accelerated because of a default, or (c) notice has been given of the exercise of an option to require repayment, mandatory payment or prepayment or otherwise. Upon any payment or distribution of assets of the Company to creditors upon any liquidation, dissolution, winding-up, reorganization, assignment for the benefit of creditors, marshalling of assets or liabilities, or any bankruptcy, insolvency or similar proceedings of the Company, the holders of Senior Indebtedness shall be entitled to receive payment in full of all amounts due or to become due on or in respect of all Senior Indebtedness before the holders of the Junior Subordinated Notes are entitled to receive or retain any payment or distribution. Subject to the prior payment of all Senior Indebtedness, the rights of the holders of the Junior Subordinated Notes will be subrogated to the rights of the holders of Senior Indebtedness to receive payments and distributions applicable to such Senior Indebtedness until all amounts owing on the Junior Subordinated Notes are paid in full.

The term "Senior Indebtedness" means, with respect to the Company, (i) any payment due in respect of indebtedness of the Company, whether outstanding at the date of execution of the Subordinated Note Indenture or thereafter incurred, created or assumed, (a) in respect of money borrowed (including any financial derivative, hedging or futures contract or similar instrument) and (b) evidenced by securities, debentures, bonds, notes or other similar instruments issued by the Company that, by their terms, are senior or senior subordinated debt securities including, without limitation, all obligations under its indentures with various trustees; (ii) all capital lease obligations; (iii) all obligations issued or assumed as the deferred purchase price of property, all conditional sale obligations and all obligations of the Company under any title retention agreement (but excluding trade accounts payable arising in the ordinary course of business and long-term purchase obligations); (iv) all obligations for the reimbursement of any letter of credit, banker's acceptance, security purchase facility or similar credit transaction; (v) all obligations of the type referred to in clauses (i) through (iv) above of other persons the payment of which the Company is responsible or liable as obligor, guarantor or otherwise; and (vi) all obligations of the type referred to in clauses (i) through (v) above of other persons secured by any lien on any property or asset of the Company (whether or not such obligation is assumed by the Company), except for (1) any such indebtedness that is by its terms subordinated to or *pari passu* with the Junior Subordinated Notes and (2) any unsecured indebtedness between or among the Company or its affiliates. Such Senior Indebtedness shall continue to be Senior Indebtedness and be entitled to the benefits of the subordination provisions contained in the Subordinated Note Indenture irrespective of any amendment, modification or waiver of any term of such Senior Indebtedness.

The Subordinated Note Indenture does not limit the aggregate amount of Senior Indebtedness that may be issued by the Company. As of September 30, 1996, Senior Indebtedness of the Company aggregated approximately $413,000,000.

Additional Interest

"Additional Interest" is defined in the Subordinated Note Indenture as (i) such additional amounts as may be required so that the net amounts received and retained by a holder of Junior Subordinated Notes (if the holder is a Trust) after paying taxes, duties, assessments or governmental charges of whatever nature (other than withholding taxes) imposed by the United States or any other taxing authority will not be less than the amounts the holder would have received had no such taxes, duties, assessments, or other governmental charges been imposed; and (ii) any interest due and not paid on an interest payment date, together with interest thereon from such interest payment date to the date of payment, compounded quarterly, on each interest payment date.

Certain Covenants

The Company covenants in the Subordinated Note Indenture, for the benefit of the holders of each series of Junior Subordinated Notes, that, (i) if at such time the Company shall have given notice of its election to extend an interest payment period for such series of Junior Subordinated Notes and such extension shall be continuing, (ii) if at such time the Company shall be in default with respect to its payment or other obligations under the Guarantee with respect to the Trust Securities, if any, related to such series of Junior Subordinated Notes, or (iii) if at such time an Event of Default thereunder with respect to such series of Junior Subordinated Notes shall have occurred and be continuing, (a) the Company shall not declare or pay any dividend or make any distributions with respect to, or redeem, purchase, acquire or make a liquidation payment with respect to, any of its capital stock, and (b) the Company shall not make any payment of interest, principal or premium, if any, on or repay, repurchase or redeem any debt securities (including guarantees other than the Guarantees) issued by the Company which rank *pari passu* with or junior to the Junior Subordinated Notes. None of the foregoing, however, shall restrict (i) any of the actions described in the preceding sentence resulting from any reclassification of the Company's capital stock or the exchange or conversion of one class or series of the Company's capital stock for another class or series of the Company's capital stock, or (ii) the purchase of fractional interests in shares of the Company's capital stock pursuant to the conversion or exchange provisions of such capital stock or the security being converted or exchanged.

The Subordinated Note Indenture further provides that, for so long as the Trust Securities of any Trust remain outstanding, the Company covenants (i) to directly or indirectly maintain 100% ownership of the Common Securities of such Trust; provided, however, that any permitted successor of the Company under the Subordinated Note Indenture may succeed to the Company's ownership of such Common Securities, and (ii) to use its reasonable efforts to cause such Trust (a) to remain a statutory business trust, except in connection with the distribution of Junior Subordinated Notes to the holders of Trust Securities in liquidation of such Trust, the redemption of all of the Trust Securities of such Trust, or certain mergers, consolidations or amalgamations, each as permitted by the related Trust Agreement, and (b) to otherwise continue to be classified as a grantor trust for United States federal income tax purposes.

Events of Default

The Subordinated Note Indenture provides that any one or more of the following described events with respect to the Junior Subordinated Notes of any series, which has occurred and is continuing, constitutes an "Event of Default" with respect to the Junior Subordinated Notes of such series:

(a) failure for 10 days to pay interest on the Junior Subordinated Notes of such series, including any Additional Interest (as defined in clause (ii) of the definition thereof in the Subordinated Note Indenture) in respect thereof, when due on an Interest Payment Date other than at maturity or upon earlier redemption; provided, however, that a valid extension of the interest payment period by the Company shall not constitute a default in the payment of interest for this purpose; or

(b) failure for 10 days to pay Additional Interest (as defined in clause (i) of the definition thereof in the Subordinated Note Indenture); or

(c) failure to pay principal or premium, if any, or interest, including Additional Interest (as defined in clause (ii) of the definition thereof in the Subordinated Note Indenture), on the Junior Subordinated Notes of such series when due at maturity or upon earlier redemption; or

(d) failure for three Business Days to deposit any sinking fund payment when due by the terms of a Junior Subordinated Note of such series; or

(e) failure to observe or perform any other covenant or warranty of the Company in the Subordinated Note Indenture (other than a covenant or warranty which has expressly been included therein solely for the benefit of one or more series of Junior Subordinated Notes other than such series) for 90 days after written notice to the Company from the Indenture Trustee or the holders of at least 25% in principal amount of the outstanding Junior Subordinated Notes of such series; or

(f) certain events of bankruptcy, insolvency, or reorganization of the Company.

The holders of not less than a majority in aggregate outstanding principal amount of the Junior Subordinated Notes of any series have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Indenture Trustee with respect to the Junior Subordinated Notes of such series. If a Subordinated Note Indenture Event of Default occurs and is continuing with respect to the Junior Subordinated Notes of any series, then the Indenture Trustee or the holders of not less than 25% in aggregate outstanding principal amount of the Junior Subordinated Notes of such series may declare the principal amount thereof due and payable immediately by notice in writing to the Company (and to the Indenture Trustee if given by the holders), and upon any such declaration such principal amount shall become immediately due and payable. At any time after such a declaration of acceleration with respect to the Junior Subordinated Notes of any series has been made and before a judgment or decree for payment of the money due has been obtained as provided in Article Five of the Subordinated Note Indenture, the holders of not less than a majority in aggregate outstanding principal amount of the Junior Subordinated Notes of such series may rescind and annul such declaration and its consequences if the default has been cured or waived and the Company has paid or deposited with the Indenture Trustee a sum sufficient to pay all matured installments of interest (including any Additional Interest) and principal due otherwise than by acceleration and all sums paid or advanced by the Indenture Trustee, including reasonable compensation and expenses of the Indenture Trustee.

A holder of Securities may institute a legal proceeding directly against the Company, without first instituting a legal proceeding against the Property Trustee or any other person or entity, for enforcement of payment to such holder of principal of or interest on the Junior Subordinated Notes of the related series having a principal amount equal to the aggregate stated liquidation amount of the Securities of such holder on or after the due dates specified in the Junior Subordinated Notes of such series.

The holders of not less than a majority in aggregate outstanding principal amount of the Junior Subordinated Notes of any series may, on behalf of the holders of all the Junior Subordinated Notes of such series, waive any past default with respect to such series, except (i) a default in the payment of principal or interest or (ii) a default in respect of a covenant or provision which under Article Nine of the Subordinated Note Indenture cannot be modified or amended thereunder without the consent of the holder of each outstanding Junior Subordinated Note of such series affected thereby.

Registration and Transfer

The Company shall not be required to (i) issue, register the transfer of or exchange Junior Subordinated Notes of any series during a period of 15 days immediately preceding the date notice is given identifying the Junior Subordinated Notes of such series called for redemption, or (ii) register the transfer of or exchange any Junior Subordinated Notes so selected for redemption, in whole or in part, except the unredeemed portion of any Junior Subordinated Note being redeemed in part

Payment and Paying Agent

Unless otherwise indicated in an applicable Prospectus Supplement, payment of principal of any Junior Subordinated Notes will be made only against surrender to the Paying Agent of such Junior Subordinated Notes. Principal of and interest on Junior Subordinated Notes will be payable, subject to any applicable laws and regulations, at the office of such Paying Agent or Paying Agents as the Company may designate from time to time, except that, at the option of the Company, payment of any interest may be made by wire transfer or by check mailed to the address of the person entitled thereto as such address shall appear in the Security Register with respect to the Junior Subordinated Notes. Payment of interest on Junior Subordinated Notes on any interest payment date will be made to the person in whose name the Junior Subordinated Notes (or predecessor security) are registered at the close of business on the Record Date for such interest payment (the fifteenth calendar day before such interest payment date).

The Indenture Trustee will act as Paying Agent with respect to the Junior Subordinated Notes. The Company may at any time designate additional Paying Agents or rescind the designation of any Paying Agents or approve a change in the office through which any Paying Agent acts.

All moneys paid by the Company to a Paying Agent for the payment of the principal of or interest on the Junior Subordinated Notes of any series which remain unclaimed at the end of two years after such principal or interest shall have become due and payable will be repaid to the Company, and the holder of such Junior Subordinated Notes will thereafter look only to the Company for payment thereof.

Modification

The Subordinated Note Indenture contains provisions permitting the Company and the Indenture Trustee, with the consent of the holders of not less than a majority in principal amount of the outstanding Junior Subordinated Notes of each series affected thereby, to modify the Subordinated Note Indenture or the rights of the holders of the Junior Subordinated Note of such series; provided, that no such modification may, without the consent of the holder of each outstanding Junior Subordinated Note affected thereby, (i) change the stated maturity of the principal of, or any installment of principal of or interest on, any Junior Subordinated Note, or reduce the principal amount thereof or the rate of interest (including Additional Interest) thereon or any premium payable upon the redemption thereof, or change the method of calculating the rate of interest thereon, or impair the right to institute suit for the enforcement of any such payment on or after the stated maturity thereof (or, in the case of redemption, on or after the redemption date), or (ii) reduce the percentage of principal amount of the outstanding Junior Subordinated Notes of any series, the

consent of whose holders is required for any such supplemental indenture, or the consent of whose holders is required for any waiver (of compliance with certain provisions of the Subordinated Note Indenture or certain defaults thereunder and their consequences) provided for in the Subordinated Note Indenture, or (iii) modify any of the provisions of the Subordinated Note Indenture relating to supplemental indentures, waiver of past defaults, or waiver of certain covenants, except to increase any such percentage or to provide that certain other provisions of the Subordinated Note Indenture cannot be modified or waived without the consent of the holder of each outstanding Junior Subordinated Note affected thereby, or (iv) modify the provisions of the Subordinated Note Indenture with respect to the subordination of the Junior Subordinated Notes in a manner adverse to such holder.

In addition, the Company and the Indenture Trustee may execute, without the consent of any holders of Junior Subordinated Notes, any supplemental indenture for certain other usual purposes, including the creation of any new series of junior subordinated notes.

Consolidation, Merger and Sale

The Company shall not consolidate with or merge into any other corporation or convey, transfer or lease its properties and assets substantially as an entirety to any person, unless (1) such other corporation or person is a corporation organized and existing under the laws of the United States, any state thereof or the District of Columbia and such other corporation or person expressly assumes, by supplemental indenture executed and delivered to the Indenture Trustee, the payment of the principal of (and premium, if any) and interest (including Additional Interest) on all the Junior Subordinated Notes and the performance of every covenant of the Subordinated Note Indenture on the part of the Company to be performed or observed; (2) immediately after giving effect to such transactions, no Event of Default, and no event which, after notice or lapse of time or both, would become an Event of Default, shall have happened and be continuing; and (3) the Company has delivered to the Indenture Trustee an officers' certificate and an opinion of counsel, each stating that such transaction complies with the provisions of the Subordinated Note Indenture governing consolidation, merger, conveyance, transfer or lease and that all conditions precedent thereto have been complied with.

Information Concerning the Indenture Trustee

The Indenture Trustee, prior to an Event of Default with respect to Junior Subordinated Notes of any series, undertakes to perform, with respect to Junior Subordinated Notes of such series, only such duties as are specifically set forth in the Subordinated Note Indenture and, in case an Event of Default with respect to Junior Subordinated Notes of any series has occurred and is continuing, shall exercise, with respect to Junior Subordinated Notes of such series, the same degree of care as a prudent individual would exercise in the conduct of his or her own affairs. Subject to such provision, the Indenture Trustee is under no obligation to exercise any of the powers vested in it by the Subordinated Note Indenture at the request of any holder of Junior Subordinated Notes of any series, unless offered reasonable indemnity by such holder against the costs, expenses and liabilities which might be incurred thereby. The Indenture Trustee is not required to expend or risk its own funds or otherwise incur any financial liability in the performance of its duties if the Indenture Trustee reasonably believes that repayment or adequate indemnity is not reasonably assured to it.

The Chase Manhattan Bank, the Indenture Trustee, also serves as Property Trustee and as Guarantee Trustee. The Company and certain of its affiliates maintain deposit accounts and banking relationships with The Chase Manhattan Bank. The Chase Manhattan Bank also serves as trustee under other indentures pursuant to which securities of the Company and affiliates of the Company are outstanding.

Governing Law

The Subordinated Note Indenture and the Junior Subordinated Notes will be governed by, and construed in accordance with, the internal laws of the State of New York.

Miscellaneous

The Company will have the right at all times to assign any of its rights or obligations under the Subordinated Note Indenture to a direct or indirect wholly-owned subsidiary of the Company; provided, that, in the event of any such assignment, the Company will remain primarily liable for all such obligations. Subject

to the foregoing, the Subordinated Note Indenture will be binding upon and inure to the benefit of the parties thereto and their respective successors and assigns.

DESCRIPTION OF THE SECURITIES

Each Trust may issue only one series of Securities having terms described in the Prospectus Supplement relating thereto. The Trust Agreement of each Trust will authorize the Administrative Trustees, on behalf of the Trust, to issue the Securities of such Trust. The Securities of each Trust will have such terms, including distributions, redemption, voting, liquidation rights and such other preferred, deferral or other special rights or such restrictions as shall be set forth in the Trust Agreement of such Trust. Reference is made to the Prospectus Supplement relating to the Securities of a Trust for specific terms, including (i) the distinctive designation of such Securities; (ii) the number of Securities issued by such Trust; (iii) the annual distribution rate (or method of determining such rate) for Securities of such Trust and the date or dates on whic such distributions shall be payable; (iv) whether distributions on such Securities shall be cumulative and, in the case of Securities having cumulative distribution rights, the date or dates, or method of determining the date or dates, from which distributions on such Securities shall be cumulative; (v) the amount or amounts that shall be paid out of the assets of such Trust to the holders of the Securities of such Trust upon voluntary or involuntary dissolution, winding-up or termination of such Trust; (vi) the obligation, if any, of such Trust to purchase or redeem such Securities and the price or prices at which, the period or periods within which, and the terms and conditions upon which such Securities shall be purchased or redeemed, in whole or in part, pursuant to such obligation; (vii) the voting rights, if any, of such Securities in addition to those required by law, including the number of votes per Security and any requirement for the approval by the holders of Securities as a condition to specified action or amendments to the Trust Agreement of such Trust; (viii) the rights, if any, to defer distributions on the Securities by extending the interest payment period on the related Junior Subordinated Notes; and (ix) any other relative rights, preferences, privileges, limitations or restrictions of such Securities not inconsistent with the Trust Agreement of such Trust or applicable law. All Securities offered hereby will be guaranteed by the Company to the extent set forth under "Description of the Guarantees." Any material United States federal income tax considerations applicable to an offering of Securities will be described in the Prospectus Supplement relating thereto.

DESCRIPTION OF THE GUARANTEES

Set forth below is a summary of information concerning the Guarantees that will be executed and delivered by the Company for the benefit of the holders of Securities of the respective Trusts from time to time. Each Guarantee will be qualified as an indenture under the 1939 Act. The Chase Manhattan Bank will act as indenture trustee under each Guarantee (the "Guarantee Trustee") for purposes of the 1939 Act. The terms of the respective Guarantees will be those set forth therein and those made part thereof by the 1939 Act. The following summary does not purport to be complete and is subject in all respects to the provisions of, and is qualified in its entirety by reference to, the Guarantees, the form of which is filed as an exhibit to the Registration Statement of which this Prospectus forms a part, and the 1939 Act. Each Guarantee will be held by the Guarantee Trustee for the benefit of holders of the Securities to which it relates.

General

Pursuant to each Guarantee, the Company will irrevocably and unconditionally agree, to the extent set forth therein, to pay in full, to the holders of the related Securities, the Guarantee Payments (as defined herein), to the extent not paid by, or on behalf of, the related Trust, regardless of any defense, right of set-off or counterclaim that the Company may have or assert against any person. The following payments or distributions with respect to the Securities of any Trust to the extent not paid or made by, or on behalf of, such Trust will be subject to the Guarantee related thereto (without duplication): (i) any accrued and unpaid distributions required to be paid on the Securities of such Trust but if and only if and to the extent that such Trust has funds legally and immediately available therefor, (ii) the redemption price, including all accrued and unpaid distributions to the date of redemption (the "Redemption Price"), with respect to any Securities

called for redemption by such Trust, but if and only to the extent such Trust has funds legally and immediately available therefor, and (iii) upon a dissolution, winding-up or termination of such Trust (other than in connection with the distribution of Junior Subordinated Notes to the holders of Trust Securities of such Trust or the redemption of all of the Securities of such Trust), the lesser of (a) the aggregate of the liquidation amount and all accrued and unpaid distributions on the Securities of such Trust to the date of payment, to the extent such Trust has funds legally and immediately available therefor, and (b) the amount of assets of such Trust remaining available for distribution to holders of Securities of such Trust in liquidation of such Trust (the "Guarantee Payments"). The Company's obligation to make a Guarantee Payment may be satisfied by direct payment of the required amounts by the Company to the holders of the related Securities or by causing the related Trust to pay such amounts to such holders.

Each Guarantee will be a guarantee of the Guarantee Payments with respect to the related Securities from the time of issuance of such Securities, but will not apply to the payment of distributions and other payments on such Securities when the related Trust does not have sufficient funds legally and immediately available to make such distributions or other payments. **If the Company does not make interest payments on the Junior Subordinated Notes held by the Property Trustee under any Trust, such Trust will not make distributions on its Securities.**

Subordination

The Company's obligations under each Guarantee to make the Guarantee Payments will constitute an unsecured obligation of the Company and will rank (i) subordinate and junior in right of payment to all other liabilities of the Company, including the Junior Subordinated Notes, except those obligations or liabilities made *pari passu* or subordinate by their terms, (ii) *pari passu* with the most senior preferred or preference stock now or hereafter issued by the Company and with any guarantee now or hereafter entered into by the Company in respect of any preferred or preference securities of any affiliate of the Company, and (iii) senior to all common stock of the Company. The terms of the Securities will provide that each holder of Securities by acceptance thereof agrees to the subordination provisions and other terms of the Guarantee related thereto. The Company has outstanding preferred stock that ranks *pari passu* to the Guarantees and common stock that ranks junior to the Guarantees. See "Selected Information — Selected Financial Information."

Each Guarantee will constitute a guarantee of payment and not of collection (that is, the guaranteed party may institute a legal proceeding directly against the guarantor to enforce its rights under the guarantee without first instituting a legal proceeding against any other person or entity).

Amendments and Assignment

Except with respect to any changes that do not materially and adversely affect the rights of holders of the related Securities (in which case no consent will be required), each Guarantee may be amended only with the prior approval of the holders of not less than 66⅔% in liquidation amount of such outstanding Securities. The manner of obtaining any such approval of holders of the Securities will be as set forth in a accompanying Prospectus Supplement. All guarantees and agreements contained in each Guarantee shall bind the successors, assigns, receivers, trustees and representatives of the Company and shall inure to the benefit of the holders of the related Securities then outstanding.

Termination

Each Guarantee will terminate and be of no further force and effect as to the related Securities upon full payment of the Redemption Price of all such Securities, upon distribution of Junior Subordinated Notes to the holders of such Securities, or upon full payment of the amounts payable upon liquidation of the related Trust. Each Guarantee will continue to be effective or will be reinstated, as the case may be, if at any time any holder of the related Securities must restore payment of any sums paid with respect to such Securities or under such Guarantee.

Events of Default

An event of default under each Guarantee will occur upon the failure by the Company to perform any of its payment obligations thereunder. The holders of a majority in liquidation amount of the Securities to which any Guarantee relates have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Guarantee Trustee in respect of such Guarantee or to direct the exercise of any trust or power conferred upon the Guarantee Trustee under such Guarantee. Any holder of the related Securities may institute a legal proceeding directly against the Company to enforce its rights under such Guarantee without first instituting a legal proceeding against the Guarantee Trustee or any other person or entity. The holders of a majority in liquidation amount of Securities of any series may, by vote, on behalf of the holders of all the Securities of such series, waive any past event of default and its consequences.

Information Concerning the Guarantee Trustee

The Guarantee Trustee, prior to the occurrence of any event of default with respect to any Guarantee and after the curing or waiving of all events of default with respect to such Guarantee, undertakes to perform only such duties as are specifically set forth in such Guarantee and, in case an event of default has occurred, shall exercise the same degree of care as a prudent individual would exercise in the conduct of his or her own affairs. Subject to such provisions, the Guarantee Trustee is under no obligation to exercise any of the powers vested in it by any Guarantee at the request of any holder of the related Securities, unless offered reasonable indemnity against the costs, expenses and liabilities which might be incurred thereby.

The Chase Manhattan Bank, the Guarantee Trustee, also serves as Property Trustee and as Indenture Trustee. The Company and certain of its affiliates maintain deposit accounts and banking relationships with The Chase Manhattan Bank. The Chase Manhattan Bank serves as trustee under other indentures pursuant to which securities of the Company and affiliates of the Company are outstanding.

Governing Law

Each Guarantee will be governed by, and construed in accordance with, the internal laws of the State of New York.

The Agreements as to Expenses and Liabilities

Pursuant to an Agreement as to Expenses and Liabilities to be entered into by the Company under each Trust Agreement, the Company will irrevocably and unconditionally guarantee to each person or entity to whom each Trust becomes indebted or liable the full payment of any indebtedness, expenses or liabilities of such Trust, other than obligations of such Trust to pay to the holders of the related Securities or other similar interests in such Trust the amounts due such holders pursuant to the terms of such Securities or such other similar interests, as the case may be.

RELATIONSHIP AMONG THE SECURITIES, THE JUNIOR SUBORDINATED NOTES AND THE GUARANTEES

As long as payments of interest and other payments are made when due on each series of Junior Subordinated Notes issued to a Trust, such payments will be sufficient to cover distributions and payments due on the related Trust Securities of such Trust primarily because (i) the aggregate principal amount of each series of Junior Subordinated Notes will be equal to the sum of the aggregate stated liquidation amount of the related Trust Securities; (ii) the interest rate and interest and other payment dates on each series of Junior Subordinated Notes will match the distribution rate and distribution and other payment dates for the related Securities; (iii) the Company shall pay for all costs and expenses of each Trust pursuant to the Agreements as to Expenses and Liabilities; and (iv) each Trust Agreement provides that the Securities Trustees thereunder shall not cause or permit the Trust to, among other things, engage in any activity that is not consistent with the purposes of the Trust.

Payments of distributions (to the extent funds therefor are legally and immediately available) and other payments due on the Securities (to the extent funds therefor are legally and immediately available) will be guaranteed by the Company as and to the extent set forth under "Description of the Guarantees." If the Company does not make interest payments on any series of Junior Subordinated Notes, it is not expected that the related Trust will have sufficient funds to pay distributions on its Securities. Each Guarantee is a guarantee from the time of its issuance, but does not apply to any payment of distributions unless and until the related Trust has sufficient funds legally and immediately available for the payment of such distributions.

If the Company fails to make interest or other payments on any series of Junior Subordinated Notes when due (taking into account any extension period as described in the applicable Prospectus Supplement), the Trust Agreement provides a mechanism whereby the holders of the related Securities may appoint a substitute Property Trustee. Such holders may also direct the Property Trustee to enforce its rights under the Junior Subordinated Notes of such series, including proceeding directly against the Company to enforce such Junior Subordinated Notes. If the Property Trustee fails to enforce its rights under any series of Junior Subordinated Notes, to the fullest extent permitted by applicable law, any holder of related Securities may institute a legal proceeding directly against the Company to enforce the Property Trustee's rights under such series of Junior Subordinated Notes without first instituting any legal proceeding against the Property Trustee or any other person or entity. Notwithstanding the foregoing, a holder of Securities may institute a legal proceeding directly against the Company, without first instituting a legal proceeding against the Property Trustee or any other person or entity, for enforcement of payment to such holder of principal of or interest on Junior Subordinated Notes of the related series having a principal amount equal to the aggregate stated liquidation amount of the Securities of such holder on or after the due dates specified in the Junior Subordinated Notes of such series.

If the Company fails to make payments under any Guarantee, such Guarantee provides a mechanism whereby the holders of the Securities to which such Guarantee relates may direct the Guarantee Trustee to enforce its rights thereunder. In addition, any holder of Securities may institute a legal proceeding directly against the Company to enforce the Guarantee Trustee's rights under the related Guarantee without first instituting a legal proceeding against the Guarantee Trustee or any other person or entity.

Each Guarantee, the Subordinated Note Indenture, the Junior Subordinated Notes of the related series, the related Trust Agreement and the related Agreement as to Expenses and Liabilities, as described above, constitute a full and unconditional guarantee by the Company of the payments due on the related series of Securities.

Upon any voluntary or involuntary dissolution, winding-up or termination of any Trust, unless Junior Subordinated Notes of the related series are distributed in connection therewith, the holders of Securities of such Trust will be entitled to receive, out of assets legally available for distribution to holders, a liquidation distribution in cash as described in the applicable Prospectus Supplement. Upon any voluntary or involuntary liquidation or bankruptcy of the Company, the Property Trustee, as holder of the related series of Junior Subordinated Notes, would be a subordinated creditor of the Company, subordinated in right of payment to all Senior Indebtedness, but entitled to receive payment in full of principal and interest, before any stockholders of the Company receive payments or distributions. Because the Company is guarantor under each Guarantee and has agreed to pay for all costs, expenses and liabilities of each Trust (other than the Trust's obligations to holders of the Securities) pursuant to the related Agreement as to Expenses and Liabilities, the positions of a holder of Securities and a holder of Junior Subordinated Notes of the related series relative to other creditors and to stockholders of the Company in the event of liquidation or bankruptcy of the Company would be substantially the same.

A default or event of default under any Senior Indebtedness would not constitute a default or Event of Default under the Subordinated Note Indenture. However, in the event of payment defaults under, or acceleration of, Senior Indebtedness, the subordination provisions of the Junior Subordinated Notes provide that no payments may be made in respect of the Junior Subordinated Notes until such Senior Indebtedness has been paid in full or any payment default thereunder has been cured or waived. Failure to make required payments on the Junior Subordinated Notes of any series would constitute an Event of Default under the

Subordinated Note Indenture with respect to the Junior Subordinated Notes of such series except that failure to make interest payments on the Junior Subordinated Notes of such series will not be an Event of Default during an extension period as described in the applicable Prospectus Supplement.

POSSIBLE TAX LAW CHANGES

On March 19, 1996, the Revenue Reconciliation Bill of 1996 (the "Bill"), the revenue portion of President Clinton's 1996 budget proposal, was released. The Bill would, among other things, generally deny interest deductions for interest on an instrument, issued by a corporation, that has a maximum term of more than 20 years and that is not shown as indebtedness on the separate balance sheet of the issuer or, where the instrument is issued to a related party (other than a corporation), where the holder or some other related party issues a related instrument that is not shown as indebtedness on the issuer's consolidated balance sheet. The above-described provisions of the Bill were proposed to be effective generally for instruments issued on or after December 7, 1995. If such provisions were to apply to the Junior Subordinated Notes of any series, the Company would be unable to deduct interest on the Junior Subordinated Notes of such series. However, on March 29, 1996, the Chairmen of the Senate Finance and House Ways and Means Committees issued a joint statement to the effect that it was their intention that the effective date of the President's legislative proposals, if adopted, will be no earlier than the date of appropriate Congressional action. The Company believes that, under current law, it will be able to deduct interest on the Junior Subordinated Notes. There can be no assurance, however, that current or future legislative proposals or final legislation will not affect the ability of the Company to deduct interest on the Junior Subordinated Notes. Such a change could give rise to certain events which may permit the Company to cause a redemption of the Securities or a determination by the Company to terminate a Trust and cause the Junior Subordinated Notes of the related series to be distributed to the holders of the Securities of such Trust in liquidation thereof, all as described in the applicable Prospectus Supplement.

PLAN OF DISTRIBUTION

The Company may sell the Junior Subordinated Notes and the Trusts may sell the Securities in one or more of the following ways from time to time: (i) to underwriters for resale to the public or to institutional investors; (ii) directly to institutional investors; or (iii) through agents to the public or to institutional investors. The Prospectus Supplement with respect to each series of Junior Subordinated Notes or Securities will set forth the terms of the offering of such Junior Subordinated Notes or Securities, including the name or names of any underwriters or agents, the purchase price of such Junior Subordinated Notes or Securities and the proceeds to the Company or the applicable Trust from such sale, any underwriting discounts or agency fees and other items constituting underwriters' or agents' compensation, any initial public offering price, any discounts or concessions allowed or reallowed or paid to dealers and any securities exchange on which such Junior Subordinated Notes or Securities may be listed.

If underwriters participate in the sale, such Junior Subordinated Notes or Securities will be acquired by the underwriters for their own account and may be resold from time to time in one or more transactions, including negotiated transactions, at a fixed public offering price or at varying prices determined at the time of sale.

Unless otherwise set forth in the Prospectus Supplement, the obligations of the underwriters to purchase any series of Junior Subordinated Notes or Securities will be subject to certain conditions precedent and the underwriters will be obligated to purchase all of such series of Junior Subordinated Notes or Securities, if any are purchased.

Underwriters and agents may be entitled under agreements entered into with the Company and/or the applicable Trust to indemnification against certain civil liabilities, including liabilities under the 1933 Act. Underwriters and agents may engage in transactions with, or perform services for, the Company in the ordinary course of business.

Each series of Junior Subordinated Notes or Securities will be a new issue of securities and will have no established trading market. Any underwriters to whom Junior Subordinated Notes or Securities are sold for public offering and sale may make a market in such Junior Subordinated Notes or Securities, but such underwriters will not be obligated to do so and may discontinue any market making at any time without notice. The Junior Subordinated Notes or Securities may or may not be listed on a national securities exchange.

LEGAL MATTERS

Certain matters of Delaware law relating to the validity of the Securities will be passed upon on behalf of the Company and the Trusts by Richards, Layton & Finger, Wilmington, Delaware, special Delaware counsel to the Company and the Trusts. The validity of the Junior Subordinated Notes, the Guarantees and certain matters relating thereto will be passed upon on behalf of the Company by Beggs & Lane, Pensacola, Florida, and by Troutman Sanders LLP, Atlanta, Georgia. Certain legal matters will be passed upon for the Underwriters by Dewey Ballantine, New York, New York.

EXPERTS

The financial statements and schedules of the Company included in the Company's Annual Report on Form 10-K for the year ended December 31, 1995, incorporated by reference in this Prospectus, have been audited by Arthur Andersen LLP, independent public accountants, as indicated in their reports with respect thereto, and are incorporated herein in reliance upon the authority of said firm as experts in accounting and auditing in giving said reports.

Statements as to matters of law and legal conclusions in the Company's Annual Report on Form 10-K for the year ended December 31, 1995, relating to titles to property of the Company under "Item 2 — Properties — Titles to Property", and relating to the Company under "Item 1 — Business — Regulation", "Item 1 — Business — Rate Matters" and "Item 1 — Business — Competition", have been reviewed by Beggs & Lane, general counsel for the Company, and such statements are made upon the authority of such firm as experts.

PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

Item 14. *Other Expenses of Issuance and Distribution.*

The estimated expenses of issuance and distribution, other than underwriting discounts and commissions, to be borne by the Company are as follows:

	Preferred Securities	
	Initial Sale	Each Additional Sale
*Florida Documentary Stamp Tax	$210,000	$ —
*Florida intangible personal property tax	9,000	
*Filing Fees — Securities and Exchange Commission — registration statement	18,182	—
Charges of trustees (including counsel)	9,500	9,500
*Listing fees of New York Stock Exchange	30,900	—
Printing and preparation of registration statement, prospectus, etc.	40,000	10,000
Rating fees —		
Moody's Investors Service, Inc.	15,000	15,000
Standard & Poor's Corporation	16,100	—
Duff and Phelps, Inc.	5,000	5,000
Services of Southern Company Services, Inc.	40,000	10,000
Fees and expenses of counsel	65,000	35,000
Blue sky fees and expenses	3,500	3,500
Fees of accountants, Arthur Andersen LLP	35,000	25,000
Miscellaneous, including telephone charges and traveling expenses	12,818	12,000
Total	$510,000	$125,000

* The Prospectus Supplement will reflect actual filing fees, listing fees and taxes based upon the amount of the related offering.

Item 15. *Indemnification of Directors and Officers.*

Section 719 of Title 13-A of the Maine Revised Statutes, as amended in 1987, provides that a corporation shall have the power to indemnify, or if so provided in the bylaws shall in all cases indemnify, any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative, by reason of the fact that that person is or was a director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, trustee, partner, fiduciary, employee or agent of another corporation, partnership, joint venture, trust, pension or other employee benefit plan or other enterprise, against expenses, including attorneys' fees, judgments, fines and amounts paid in settlement actually and reasonably incurred by that person in connection with such action, suit or proceeding; provided that no indemnification shall be provided for any person with respect to any matter as to which that person shall have been finally adjudicated not to have acted honestly or in the reasonable belief that that person's action was in or not opposed to the best interests of the corporation or its shareholders or, in the case of a person serving as a fiduciary of an employee benefit plan or trust, in or not opposed to the best interests of that plan or trust, or its participants or beneficiaries; or, with respect to any criminal action or proceeding, had reasonable cause to believe that that person's conduct was unlawful. The termination of any action, suit or proceeding by judgment, order or conviction adverse to that person, or by settlement or plea of nolo contendere or its equivalent, shall not of itself create a presumption that that person did not act honestly or in the reasonable belief that that person's action was in or not opposed to the best interests of the corporation or its shareholders or, in the case of a

person serving as a fiduciary of an employee benefit plan or trust, in or not opposed to the best interests of that plan or trust or its participants or beneficiaries and, with respect to any criminal action or proceeding, had reasonable cause to believe that that person's conduct was unlawful.

Section 21 of the By-laws of the Company provides in pertinent part as follows:

To the fullest extent permitted by law, the Company shall indemnify each person made, or threatened to be made, a party to any threatened, pending, or completed claim, action, suit or proceeding, whether civil or criminal, administrative or investigative, and whether by or in the right of the Company or otherwise, by reason of the fact that such person, or such person's testator or intestate, is or was a director, officer or was an employee of the Company holding one or more management positions through and inclusive of managers (but not positions below the level of managers) (such positions being hereinafter referred to as "Management Positions") or is or was serving at the request of the Company as a director, officer, employee, agent or trustee of another corporation, partnership, joint venture, trust, employee benefit plan or other enterprise, in any capacity at the request of the Company, against all loss and expense actually or reasonably incurred by him including, without limiting the generality of the foregoing, judgments, fines, penalties, liabilities, sanctions, and amounts paid in settlement and attorneys fees and disbursements actually and necessarily incurred by him in defense of such action or proceeding, or any appeal therefrom. The indemnification provided by this Section shall inure to the benefit of the heirs, executors and administrators of such person.

In any case in which a director, officer of the Company or employee of the Company holding one or more Management Positions requests indemnification with respect to the defense of any such claim, action, suit or proceedings, the Company may advance expenses (including attorney's fees) incurred by such person prior to the final disposition of such claim, action, suit or proceeding, as authorized by the Board of Directors in the specific case, upon receipt of a written undertaking by or on behalf of such person to repay amounts advanced if it shall ultimately be determined that such person was not entitled to be indemnified by the Company under this Section or otherwise; provided, however, that the advancement of such expenses shall not be deemed to be indemnification unless and until it shall ultimately be determined that such person is entitled to be indemnified by the Company. Such a person claiming indemnification shall be entitled to indemnification upon a determination that no judgment or other final adjudication adverse to such person has established that such person's acts were committed in bad faith or were the result of active and deliberate dishonesty and were material to the cause of action so adjudicated, or such person personally obtained an economic benefit including a financial profit or other advantage to which such person was not legally entitled. Without limiting the generality of the foregoing provision, no former, present or future director or officer of the Company or employee of the Company holding one or more management positions, or his heirs, executors or administrators, shall be liable for any undertaking entered into by the Company or its subsidiaries or affiliates as required by the Securities and Exchange Commission pursuant to any rule or regulation of the Securities and Exchange Commission now or hereafter in effect or orders issued pursuant to the Public Utility Holding Company Act of 1935, the Federal Power Act, or any undertaking entered into by the Company due to environmental requirements including all legally enforceable environmental compliance obligations imposed by federal, state or local statute, regulation, permit, judicial or administrative decree, order and judgment or other similar means, or any undertaking entered into by the Company pursuant to any approved Company compliance plan or any federal or state or municipal ordinance which directly or indirectly regulates the Company, or its parent by reason of their being holding or investment companies, public utility companies, public utility holding companies or subsidiaries of public utility holding companies.

The foregoing rights shall not be exclusive of any other rights to which any such director, officer or employee may otherwise be entitled and shall be available whether or not the director, officer or employee continues to be a director, officer or employee at the time of incurring any such expenses and liabilities.

The Company has an insurance policy covering its liabilities and expenses which might arise in connection with its lawful indemnification of its directors and officers for certain of their liabilities and expenses and also covering its officers and directors against certain other liabilities and expenses.

Item 16. ***Exhibits.***

Exhibit Number	
1.1	— Form of Underwriting Agreement relating to Junior Subordinated Notes.*
1.2	— Form of Underwriting Agreement relating to Preferred Securities.*
1.3	— Form of Underwriting Agreement relating to Capital Securities.*
4.1	— Form of Subordinated Note Indenture between Gulf Power Company and The Chase Manhattan Bank, as Trustee.
4.2-A	— Form of Supplemental Indenture to Subordinated Note Indenture to be used in connection with the issuance of Junior Subordinated Notes relating to Preferred Securities.
4.2-B	— Form of Supplemental Indenture to Subordinated Note Indenture to be used in connection with the issuance of Junior Subordinated Notes relating to Capital Securities.
4.3-A	— Certificate of Trust of Gulf Power Capital Trust I.
4.3-B	— Certificate of Trust of Gulf Power Capital Trust II.
4.4-A	— Trust Agreement of Gulf Power Capital Trust I.
4.4-B	— Trust Agreement of Gulf Power Capital Trust II.
4.5-A	— Form of Amended and Restated Trust Agreement of Gulf Power Capital Trust I relating to Preferred Securities.
4.5-B	— Form of Amended and Restated Trust Agreement of Gulf Power Capital Trust II relating to Preferred Securities.
4.5-C	— Form of Amended and Restated Trust Agreement of Gulf Power Capital Trust I relating to Capital Securities.
4.5-D	— Form of Amended and Restated Trust Agreement of Gulf Power Capital Trust II relating to Capital Securities.
4.6-A	— Form of Preferred Security of Gulf Power Capital Trust I (included in Exhibit 4.5-A above).
4.6-B	— Form of Preferred Security of Gulf Power Capital Trust II (included in Exhibit 4.5-B above).
4.6-C	— Form of Capital Security of Gulf Power Capital Trust I (included in Exhibit 4.5-C above).
4.6-D	— Form of Capital Security of Gulf Power Capital Trust II (included in Exhibit 4.5-D above).
4.7-A	— Form of Junior Subordinated Note relating to Preferred Securities (included in Exhibit 4.2-A above).
4.7-B	— Form of Junior Subordinated Note relating to Capital Securities (included in Exhibit 4.2-B above).
4.8-A	— Form of Guarantee relating to Gulf Power Capital Trust I Preferred Securities.
4.8-B	— Form of Guarantee relating to Gulf Power Capital Trust II Preferred Securities.
4.8-C	— Form of Guarantee relating to Gulf Power Capital Trust I Capital Securities.
4.8-D	— Form of Guarantee relating to Gulf Power Capital Trust II Capital Securities.
4.9-A	— Form of Agreement as to Expenses and Liabilities relating to Gulf Power Capital Trust I Preferred Securities (included in Exhibit 4.5-A above).
4.9-B	— Form of Agreement as to Expenses and Liabilities relating to Gulf Power Capital Trust II Preferred Securities (included in Exhibit 4.5-B above).
4.9-C	— Form of Agreement as to Expenses and Liabilities relating to Gulf Power Capital Trust I Capital Securities (included in Exhibit 4.5-C above).
4.9-D	— Form of Agreement as to Expenses and Liabilities relating to Gulf Power Capital Trust II Capital Securities (included in Exhibit 4.5-D above).
5.1-A	— Opinion of Beggs & Lane relating to Gulf Power Capital Trust I.
5.1-B	— Opinion of Beggs & Lane relating to Gulf Power Capital Trust II.
5.2-A	— Opinion of Richards, Layton & Finger relating to Gulf Power Capital Trust I.
5.2-B	— Opinion of Richards, Layton & Finger relating to Gulf Power Capital Trust II.
8.1	— Tax Opinion of Troutman Sanders LLP.
12.1	— Computation of ratio of earnings to fixed charges.
12.2	— Computation of ratio of earnings to fixed charges plus preferred dividend requirements (pre-income tax basis).
23.1	— Consent of Arthur Andersen LLP.
23.2	— Consent of Beggs & Lane (included in Exhibit 5.1-A and 5.1-B above).
23.3	— Consent of Troutman Sanders LLP (included in Exhibit 8.1 above).

Exhibit Number	
23.4	— Consent of Richards, Layton & Finger (included in Exhibit 5.2-A and, 5.2-B above).
24.1	— Powers of Attorney and Resolution.
25.1	— Statement of Eligibility under Trust Indenture Act of 1939, as amended, of The Chase Manhattan Bank, as Indenture Trustee.
25.2	— Statement of Eligibility under Trust Indenture Act of 1939, as amended, of The Chase Manhattan Bank, as Property Trustee, relating to Gulf Power Capital Trust I in connection with Preferred Securities.
25.3	— Statement of Eligibility under Trust Indenture Act of 1939, as amended, of The Chase Manhattan Bank, as Guarantee Trustee, relating to Gulf Power Capital Trust I in connection with Preferred Securities.
25.4	— Statement of Eligibility under Trust Indenture Act of 1939, as amended, of The Chase Manhattan Bank, as Property Trustee, relating to Gulf Power Capital Trust II in connection with Preferred Securities.
25.5	— Statement of Eligibility under Trust Indenture Act of 1939, as amended, of The Chase Manhattan Bank, as Guarantee Trustee, relating to Gulf Power Capital Trust II in connection with Preferred Securities.
25.6	— Statement of Eligibility under Trust Indenture Act of 1939, as amended, of The Chase Manhattan Bank, as Property Trustee, relating to Gulf Power Capital Trust I in connection with Capital Securities.
25.7	— Statement of Eligibility under Trust Indenture Act of 1939, as amended, of The Chase Manhattan Bank, as Guarantee Trustee, relating to Gulf Power Capital Trust I in connection with Capital Securities.
25.8	— Statement of Eligibility under Trust Indenture Act of 1939, as amended, of The Chase Manhattan Bank, as Property Trustee, relating to Gulf Power Capital Trust II in connection with Capital Securities.
25.9	— Statement of Eligibility under Trust Indenture Act of 1939, as amended, of The Chase Manhattan Bank, as Guarantee Trustee, relating to Gulf Power Capital Trust II in connection with Capital Securities.

* To be subsequently filed or incorporated by reference.

Item 17. *Undertakings.*

(a) Undertaking related to Rule 415 offering:

The undersigned registrants hereby undertake:

(1) To file, during any period in which offers or sales are being made, a post-effective amendment to this registration statement:

(i) To include any prospectus required by Section 10(a)(3) of the Securities Act of 1933;

(ii) To reflect in the prospectus any facts or events arising after the effective date of the registration statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in the registration statement. Notwithstanding the foregoing, any increase or decrease in volume of securities offered (if the total dollar value of securities offered would not exceed that which was registered) and any deviation from the low or high end of the estimated maximum offering range may be reflected in the form of prospectus filed with the Commission pursuant to Rule 424(b) if, in the aggregate, the changes in volume and price represent no more than 20% change in the maximum aggregate offering price set forth in the "Calculation of Registration Fee" table in the effective registration statement.

(iii) To include any material information with respect to the plan of distribution not previously disclosed in the registration statement or any material change to such information in the registration statement;

Provided, however, that paragraphs (a)(1)(i) and (a)(1)(ii) do not apply if the registration statement is on Form S-3, S-8 or F-3 and the information required to be included in a post-effective amendment by those paragraphs is contained in periodic reports filed by the registrants pursuant to Section 13 or Section 15(d) of the Securities Exchange Act of 1934 that are incorporated by reference in the registration statement.

(2) That, for the purpose of determining any liability under the Securities Act of 1933, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(3) To remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering.

(b) Undertaking related to filings incorporating subsequent Securities Exchange Act of 1934 documents by reference:

The undersigned registrants hereby undertake that, for purposes of determining any liability under the Securities Act of 1933, each filing of the Company's annual report pursuant to Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934 that is incorporated by reference in the registration statement shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(c) Undertaking related to acceleration of effectiveness:

Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the registrants pursuant to the foregoing provisions or otherwise, the registrants have been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrants of expenses incurred or paid by a director, officer or controlling person of the registrants in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrants will, unless in the opinion of their counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.

(d) The undersigned registrants hereby undertake that:

(1) For purposes of determining any liability under the Securities Act of 1933, the information omitted from the form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in a form of prospectus filed by the registrants pursuant to Rule 424(b)(1) or (4) or 497(h) under the Act shall be deemed to be part of this registration statement as of the time it was declared effective.

(2) For the purpose of determining any liability under the Securities Act of 1933, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, Gulf Power Company certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form S-3 and has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Atlanta, State of Georgia, on the 3rd day of January, 1997.

GULF POWER COMPANY

By: TRAVIS J. BOWDEN,
President and Chief Executive Officer

By: WAYNE BOSTON,
Attorney-in-fact

Pursuant to the requirements of the Securities Act of 1933, Gulf Power Capital Trust I certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form S-3 and has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Atlanta, State of Georgia, on the 3rd day of January, 1997.

GULF POWER CAPITAL TRUST I

By: GULF POWER COMPANY
Depositor

By: WAYNE BOSTON,
Assistant Secretary

Pursuant to the requirements of the Securities Act of 1933, Gulf Power Capital Trust II certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form S-3 and has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Atlanta, State of Georgia, on the 3rd day of January, 1997.

GULF POWER CAPITAL TRUST II

By: GULF POWER COMPANY
Depositor

By: WAYNE BOSTON,
Assistant Secretary

Pursuant to the requirements of the Securities Act of 1933, this registration statement has been signed by the following directors and officers of Gulf Power Company in the capacities and on the date indicated.

Signature	Title	Date
TRAVIS J. BOWDEN	President, Chief Executive Officer and Director (Principal Executive Officer)	
A. E. SCARBROUGH	Vice President — Finance (Principal Financial and Accounting Officer)	
PAUL J. DENICOLA FRED C. DONOVAN W. D. HULL, JR. JOSEPH K. TANNEHILL	Directors	
By WAYNE BOSTON (Wayne Boston, Attorney-in-fact)		January 3, 1997

File No. 70-8451

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM U-1
APPLICATION OR DECLARATION
under
The Public Utility Holding Company Act of 1935

EXHIBIT A.12.

EXHIBIT B.7.

ALABAMA POWER COMPANY
600 North 18th Street
Birmingham, Alabama 35291

GULF POWER COMPANY
500 Bayfront Parkway
Pensacola, Florida 32501

GEORGIA POWER COMPANY
333 Piedmont Avenue, N.E.
Atlanta, Georgia 30308

MISSISSIPPI POWER COMPANY
2992 West Beach
Gulfport, Mississippi 39501

SAVANNAH ELECTRIC AND POWER COMPANY
600 Bay Street, East
Savannah, Georgia 31401

(Name of company or companies filing this statement
and addresses of principal executive offices)

THE SOUTHERN COMPANY

(Name of top registered holding company parent of each
applicant or declarant)

Art P. Beattie, Vice President,
Secretary and Treasurer
Alabama Power Company
600 North 18th Street
Birmingham, Alabama 35291

Warren E. Tate, Secretary and Treasurer
Gulf Power Company
500 Bayfront Parkway
Pensacola, Florida 32501

Judy M. Anderson, Vice President
and Corporate Secretary
Georgia Power Company
333 Piedmont Avenue, N.E.
Atlanta, Georgia 30308

W. Edgar Gilmore, Secretary
and Treasurer
Mississippi Power Company
2992 West Beach
Gulfport, Mississippi 39501

Kirby R. Wills, Vice President
and Chief Financial Officer
Savannah Electric and Power Company
600 Bay Street, East
Savannah, Georgia 31401

(Names and addresses of agents for service)

The Commission is requested to mail signed copies of all orders,
notices and communications to:

W. L. Westbrook
Financial Vice President
The Southern Company
64 Perimeter Center East
Atlanta, Georgia 30346

John F. Young
Vice President
Southern Company Services, Inc.
One Wall Street, 42nd Floor
New York, New York 10005

John D. McLanahan, Esq.
Troutman Sanders
600 Peachtree Street, N.E., Suite 5200
Atlanta, Georgia 30308-2216

INFORMATION REQUIRED

ITEM 1. DESCRIPTION OF PROPOSED TRANSACTIONS.

A. Alabama Power Company ("Alabama"), Georgia Power Company ("Georgia"), Gulf Power Company ("Gulf"), Mississippi Power Company ("Mississippi") and Savannah Electric and Power Company ("Savannah") are wholly-owned subsidiaries of The Southern Company ("Southern"), a registered holding company under the Public Utility Holding Company Act of 1935, as amended (the "Act"). Alabama, Georgia, Gulf, Mississippi and Savannah are sometimes hereinafter referred to individually as an "Operating Affiliate" and collectively as the "Operating Affiliates." Each Operating Affiliate proposes to organize a separate special purpose subsidiary as either (a) a limited liability company under the Limited Liability Company Act (the "LLC Act") of the State of Alabama in the case of Alabama, of the State of Georgia in the case of Georgia and Savannah, of the State of Florida or Maine in the case of Gulf, of the State of Mississippi in the case of Mississippi, or of the State of Delaware or other jurisdiction considered advantageous in the case of any of the Operating Affiliates, or (b) a limited partnership under the Revised Uniform Limited Partnership Act of the State of Alabama in the case of Alabama, of the State of Georgia in the case of Georgia and Savannah, of the State of Florida or Maine in the case of Gulf, of the State of Mississippi in the case of Mississippi, or of the State of Delaware or other jurisdiction considered advantageous in the case of any of the Operating Affiliates. The special purpose subsidiaries to be so organized

by the Operating Affiliates are hereinafter referred to individually as a "Special Purpose Subsidiary" and collectively as the "Special Purpose Subsidiaries." In the event that any Operating Affiliate organizes its Special Purpose Subsidiary as a limited liability company, such Operating Affiliate may also organize a second special purpose wholly-owned subsidiary under the General Corporation Law of the State of Alabama, the State of Georgia, the State of Florida or Maine, the State of Mississippi, or the State of Delaware or other jurisdiction, as the case may be ("Investment Sub"), for the purpose of acquiring and holding Special Purpose Subsidiary common stock so as to comply with the requirement under the applicable LLC Act that a limited liability company have at least two members. In the event that any Operating Affiliate organizes its Special Purpose Subsidiary as a limited partnership, such Operating Affiliate also may organize an Investment Sub for the purpose of acting as the general partner of such Special Purpose Subsidiary and may acquire, either directly or indirectly through such Investment Sub, a limited partnership interest in such Special Purpose Subsidiary to ensure that such Special Purpose Subsidiary will at all times have a limited partner to the extent required by applicable law.

The respective Special Purpose Subsidiaries then will issue and sell at any time or from time to time in one or more series through December 31, 1997 up to $175 million aggregate par or stated value or liquidation preference of preferred securities described hereinbelow (the "Preferred Securities"), with a par or

stated value or liquidation preference of up to $100 per security, in the case of Alabama; up to $300 million aggregate par or stated value or liquidation preference of Preferred Securities, with a par or stated value or liquidation preference of up to $100 per security, in the case of Georgia; up to $15 million aggregate per or stated value or liquidation preference of Preferred Securities, with a par or stated value or liquidation preference of up to $100 per security, in the case of Gulf; up to $15 million aggregate par or stated value or liquidation preference of Preferred Securities, with a par or stated value or liquidation preference of up to $100 per security, in the case of Mississippi; and up to $10 million aggregate per or stated value or liquidation preference of Preferred Securities, with a par or stated value or liquidation preference of up to $100 per security, in the case of Savannah.

B. Each Operating Affiliate and/or its respective Investment Sub will acquire all of the common stock or all of the general partnership interests, as the case may be, of its Special Purpose Subsidiary for an amount up to 21% of the total equity capitalization from time to time of such Special Purpose Subsidiary (the aggregate of such investment by an Operating Affiliate and its Investment Sub being herein referred to in either case as the "Equity Contribution"). Each Operating Affiliate may issue and sell to its Special Purpose Subsidiary, at any time or from time to time in one or more series, subordinated debentures, promissory notes or other debt

instruments (individually, a "Note" and collectively, the "Notes") governed by an indenture or other document, and such Special Purpose Subsidiary will apply both the Equity Contribution made to it and the proceeds from the sale of Preferred Securities by it from time to time to purchase Notes of such Operating Affiliate. Alternatively, each Operating Affiliate may enter into a loan agreement or agreements with its Special Purpose Subsidiary under which such Special Purpose Subsidiary will loan to the Operating Affiliate (individually, a "Loan" and collectively, the "Loans") both the Equity Contribution to such Special Purpose Subsidiary and the proceeds from the sale of the Preferred Securities by such Special Purpose Subsidiary from time to time, and each Operating Affiliate will issue to its Special Purpose Subsidiary Notes evidencing such borrowings.

C. Each Operating Affiliate may also guarantee (individually, a "Guaranty" and collectively, the "Guaranties") (i) payment of dividends or distributions on the Preferred Securities of its Special Purpose Subsidiary if and to the extent such Special Purpose Subsidiary has declared dividends or distributions out of funds legally available therefor, (ii) payments to the Preferred Securities holders of amounts due upon liquidation of such Special Purpose Subsidiary or redemption of the Preferred Securities of such Special Purpose Subsidiary and (iii) certain additional amounts that may be payable in respect of such Preferred Securities.

D. Each Note will have a term (including any extension) of up to 50 years. Prior to maturity, each Operating Affiliate will pay only interest on its Notes at a rate equal to the dividend or distribution rate on the related series of Preferred Securities, which dividend or distribution rate may be either a fixed rate or an adjustable rate to be determined on a periodic basis by auction or remarketing procedures, in accordance with a formula or formulae based upon certain reference rates, or by other predetermined methods. Such interest payments will constitute each respective Special Purpose Subsidiary's only income and will be used by it to pay monthly dividends or distributions on the Preferred Securities issued by it and dividends or distributions on the common stock or the general partnership interests of such Special Purpose Subsidiary. Dividend payments or distributions on the Preferred Securities will be made monthly, will be cumulative and must be made to the extent that the Special Purpose Subsidiary issuing such Preferred Securities has legally available funds and cash sufficient for such purposes. However, each Operating Affiliate will have the right to defer payment of interest on its Notes for up to five years, provided that if dividends or distributions on the Preferred Securities of any series are not paid for up to 18 consecutive months, then the holders of the Preferred Securities of such series may have the right to appoint a trustee, special general partner or other special representative to enforce the Special Purpose Subsidiary's rights under the related Note and Guaranty. Each

Special Purpose Subsidiary will have the parallel right to defer dividend payments or distributions on the related series of Preferred Securities for up to five years. The dividend or distribution rates, payment dates, redemption and other similar provisions of each series of Preferred Securities will be substantially identical to the interest rates, payment dates, redemption and other provisions of the Note issued by the Operating Affiliate with respect thereto.

E. The Notes and related Guaranties of each Operating Affiliate will be subordinate to all other existing and future indebtedness for borrowed money of such Operating Affiliate and will have no cross-default provisions with respect to other indebtedness of such Operating Affiliate -- i.e., a default under any other outstanding indebtedness of any Operating Affiliate will not result in a default under any Note or Guaranty of such Operating Affiliate. However, each Operating Affiliate may not declare and pay dividends on its outstanding preferred or common stock unless all payments then due under its Notes and Guaranties (without giving effect to the Operating Affiliate's deferral rights discussed above) have been made.

F. It is expected that each Operating Affiliate's interest payments on the Notes issued by it will be deductible for federal income tax purposes and that its Special Purpose Subsidiary will be treated as a partnership for federal income tax purposes. Consequently, holders of the Preferred Securities and each Operating Affiliate (and its respective Investment Sub) will be

deemed to have received partnership distributions in respect of their dividends or distributions from the respective Special Purpose Subsidiary and will not be entitled to any "dividends received deduction" under the Internal Revenue Code. The Preferred Securities of any series, however, may be redeemable at the option of the Special Purpose Subsidiary issuing such series (with the consent or at the direction of the related Operating Affiliate) at a price equal to their par or stated value or liquidation preference, plus any accrued and unpaid dividends or distributions, (i) at any time after a specified date not later than 10 years from their date of issuance, or (ii) upon the occurrence of certain events, among them that (x) such Special Purpose Subsidiary is required to withhold or deduct certain amounts in connection with dividend, distribution or other payments or is subject to federal income tax with respect to interest received on the Notes issued to such Special Purpose Subsidiary, or (y) it is determined that the interest payments by such Operating Affiliate on its Notes are not deductible by the Operating Affiliate for income tax purposes, or (z) such Special Purpose Subsidiary becomes subject to regulation as an "investment company" under the Investment Company Act of 1940, as amended. The Preferred Securities of any series may also be subject to mandatory redemption upon the occurrence of certain events. Each Operating Affiliate also may have the right in certain cases to exchange the Preferred Securities of its Special

Purpose Subsidiary for the Notes or other junior subordinated debt of such Operating Affiliate.

In the event that any Special Purpose Subsidiary is required to withhold or deduct certain amounts in connection with dividend, distribution or other payments, such Special Purpose Subsidiary may also have the obligation to "gross up" such payments so that the holders of the Preferred Securities issued by such Special Purpose Subsidiary will receive the same payment after such withholding or deduction as they would have received if no such withholding or deduction were required. In such event, the related Operating Affiliate's obligations under its Note and Guaranty may also cover such "gross up" obligation. In addition, if any Special Purpose Subsidiary is required to pay taxes with respect to income derived from interest payments on the Notes issued to it, the related Operating Affiliate may be required to pay such additional interest on the Notes as shall be necessary in order that net amounts received and retained by such Special Purpose Subsidiary, after the payment of such taxes, shall result in the Special Purpose Subsidiary's having such funds as it would have had in the absence of such payment of taxes.

G. In the event of any voluntary or involuntary liquidation, dissolution or winding up of any Special Purpose Subsidiary, the holders of the Preferred Securities of such Special Purpose Subsidiary will be entitled to receive, out of the assets of such Special Purpose Subsidiary available for

distribution to its shareholders or partners, before any distribution of assets to the common shareholders or general partner of such Special Purpose Subsidiary, an amount equal to the par or stated value or liquidation preference of such Preferred Securities plus any accrued and unpaid dividends or distributions.

H. The constituent instruments of each Special Purpose Subsidiary, including its Limited Liability Company Agreement or Limited Partnership Agreement, as the case may be, will provide, among other things, that such Special Purpose Subsidiary's activities will be limited to the issuance and sale of Preferred Securities from time to time and the lending to its respective Operating Affiliate or Investment Sub of (i) the proceeds thereof and (ii) the Equity Contribution to such Special Purpose Subsidiary, and certain other related activities. Accordingly, it is proposed that no Special Purpose Subsidiary's constituent instruments include any interest or dividend coverage or capitalization ratio restrictions on its ability to issue and sell Preferred Securities as each such issuance will be supported by an Operating Affiliate Note and Guaranty and such restrictions would therefore not be relevant or necessary for any Special Purpose Subsidiary to maintain an appropriate capital structure.

Each Special Purpose Subsidiary's constituent instruments will further state that its common stock or general partnership interests are not transferable (except to certain permitted successors), that its business and affairs will be managed and

controlled by the respective Operating Affiliate and/or its Investment Sub (or permitted successor), and that such Operating Affiliate (or permitted successor) will pay all expenses of its Special Purpose Subsidiary.

I. The Operating Affiliates believe that the proposed Preferred Securities programs will provide substantial benefits over traditional perpetual preferred stock issuances. While the Operating Affiliates expect that the Preferred Securities will carry a somewhat higher "dividend" rate than a perpetual preferred issue, the expected tax deductibility of interest payments on the related Notes will afford increased cash flow and net income and then ultimately lower customer rates. Moreover, the Operating Affiliates are informed that the market for securities comparable to the Preferred Securities currently is broader than that for perpetual preferred stocks, thus affording potential benefits in the form of more relatively competitive pricing conditions. At the same time, the Operating Affiliates understand that the financial markets will view the financing that each Operating Affiliate obtains through the Preferred Securities program as having essentially the same equity characteristics as would be the case if such Operating Affiliate were to issue traditional perpetual preferred stock. The Operating Affiliates also understand that the rating agencies will view the financing that each Operating Affiliate obtains through the Preferred Securities program as having equity characteristics somewhere between sinking fund preferred stock

and traditional perpetual preferred stock. Indeed, based on an assumed dividend rate of about 8 1/4% for an Operating Affiliate perpetual preferred issue and an assumed 8 3/4% dividend rate for the Preferred Securities, the Operating Affiliates believe that over the assumed 30 year life of a $100 million Preferred Securities issue approximately $36.6 million of savings, on a net present value basis, would be achieved. The Preferred Securities will be carried in the non-debt capitalization section of the respective Operating Affiliates' balance sheets. The Notes, so long as they are inter-company obligations, will not appear on the respective Operating Affiliates' balance sheets.

J. Compliance with Rule 54. Under Rule 54, in determining whether to approve the issue or sale of a security by a registered holding company for purposes other than the acquisition of an "exempt wholesale generator" or "foreign utility company", or other transactions by such registered holding company or its subsidiaries other than with respect to "exempt wholesale generators" or "foreign utility companies", the Commission shall not consider the effect of the capitalization or earnings of any subsidiary which is an "exempt wholesale generator" or a "foreign utility company" upon the registered holding company system if Rules 53(a), (b) and (c) are satisfied. In that regard, assuming the adoption of the matters contemplated in this application, all of the conditions set forth in Rule 53(a) are and will be satisfied and none of the conditions set forth in Rule 53(b) exists or, as a result thereof, will exist.

Rule 53(a)(1): Assuming full utilization of $500 million of proceeds of the sale of Common Stock (as authorized in HCAR No. 25980) and/or the use of up to $500 million of the proceeds of short-term borrowings and/or commercial paper sales (as authorized in HCAR No. 26004), to make investments in "exempt wholesale generators" and "foreign utility companies," or the guaranty by Southern of up to $500 million of securities of any "exempt wholesale generators" or "foreign utility companies" (as authorized by HCAR No. 25980), the combination of which may not exceed $500 million, Southern's "aggregate investment" in such entities would be approximately 27.4% of "consolidated retained earnings," as defined in Rule 53(a)(1)(ii), of Southern, determined as follows: At June 30, 1994, Southern had invested, directly or indirectly, an aggregate of $413.3 million in "exempt wholesale generators" and "foreign utility companies," [1] and had utilized for this purpose approximately $97.7 million of the authorized proceeds of common stock, debt and/or guarantees. The average of the consolidated retained earnings of Southern reported on Form 10-K or Form 10-Q, as applicable, for the four consecutive quarters ended June 30, 1994, is $2.975 billion. Southern's "aggregate investment," on a pro forma basis, expressed as a percentage of "consolidated retained earnings," is

[1] These investments were in companies or partnerships that are "exempt wholesale generators," as defined in Section 32, operating or constructing facilities in Hawaii and Virginia, and in "foreign utility companies," as defined in Section 33, operating in The Grand Bahamas, Chile and Argentina.

approximately 27.4% ($413.3 million + $402.3 million divided by $2.975 billion).

Rule 53(a)(2): Southern maintains books and records enabling it to identify investments in and earnings from each "exempt wholesale generator" and "foreign utility company" in which it directly or indirectly holds an interest. In addition, each domestic "exempt wholesale generator" in which Southern holds an interest maintains its books and records and prepares its financial statements in conformity with U.S. generally accepted accounting principles ("GAAP"). The books and records and financial statements of each "foreign utility company" in which Southern holds an interest (including those that are "majority-owned subsidiaries" and those that are not) are maintained and prepared in conformity with GAAP. All of such books and records and financial statements will be made available to the Commission, in English, upon request.

Rule 53(a)(3): No more than 2% of the employees of Southern's operating utility subsidiaries will, at any one time, directly or indirectly, render services to "exempt wholesale generators" and "foreign utility companies." Based on current staffing levels of Southern's domestic operating utility subsidiaries (such companies currently employ, in the aggregate, approximately 27,000 salaried and hourly employees), no more than 540 employees of these companies, in the aggregate, determined on a full-time-equivalent basis, will be utilized at any one time in rendering services directly or indirectly to "exempt wholesale

generators" and "foreign utility companies." In a separate proceeding (File No. 70-7932) certain of Southern's subsidiaries are requesting authority to render services to "exempt wholesale generators" and "foreign utility companies," as required by Rule 53(a).

Rule 53(a)(4): Southern is simultaneously submitting a copy of this Application or Declaration, and will submit copies of any Rule 24 certificates required hereunder, as well as a copy of Southern's Form U5S, to the Federal Energy Regulatory Commission and to the appropriate public service commission(s) having jurisdiction over the retail rates of Southern's operating utility subsidiaries.

In addition, Southern states that the provisions of Rule 53(a) are not made inapplicable to the authorization herein requested by reason of the provisions of Rule 53(b).

Rule 53(b)(1): Neither Southern nor any subsidiary of Southern is the subject of any pending bankruptcy or similar proceeding.

Rule 53(b)(2): Southern's average consolidated retained earnings for the four most recent quarterly periods ($2.975 billion) represented an increase of approximately $51 million in the average consolidated retained earnings for the previous four quarterly periods ($2.924 billion).

Rule 53(b)(3): In the previous fiscal year, Southern did not report any operating losses attributable to its direct or

indirect investments in "exempt wholesale generators" and "foreign utility companies.

K. Each Operating Affiliate, individually, expects to apply the net proceeds of the Loans to the repayment of outstanding short-term debt, for construction purposes, and for other general corporate purposes, including the redemption or other retirement of outstanding senior securities. Each Operating Affiliate, individually, represents that it will not so redeem its outstanding securities unless the estimated present value savings derived from the difference between interest or dividend payments on a new issue of comparable securities and those securities refunded is on an after-tax basis greater than the estimated present value of all redemption, tendering and issuing costs, assuming an appropriate discount rate. Such discount rate will be based on meeting each Operating Affiliate's long-term capital structure goals, with appropriate adjustments for income taxes.

ITEM 2. FEES, COMMISSIONS AND EXPENSES.

The estimated fees, commissions and expenses to be incurred in connection herewith will be filed by amendment.

ITEM 3. APPLICABLE STATUTORY PROVISIONS.

A. The acquisition by each Operating Affiliate of shares of the capital stock or partnership interests of its Special Purpose Subsidiary and shares of the capital stock of its

respective Investment Sub, the acquisition by each Operating Affiliate's respective Investment Sub of shares of the capital stock or partnership interests of Special Purpose Subsidiary, and the acquisition by Special Purpose Subsidiary of the Notes and Guaranties are subject to Sections 9(a), 10 and 12(b) of the Act and Rule 45 thereunder.

B. The issuance and sale of the Preferred Securities by the Special Purpose Subsidiaries are subject to Sections 6(a) and 7 of the Act and Rule 54 thereunder.

C. Each Operating Affiliate considers that the issuance of its Notes and Guaranties to Special Purpose Subsidiary will be exempt from Sections 6(a) and 7 of the Act by virtue of Rule 45(b)(1) thereunder.

ITEM 4. REGULATORY APPROVALS

A. The issuance of the respective Notes by Alabama, Georgia, Gulf and Savannah has or will have been authorized by the Alabama Public Service Commission in the case of Alabama, the Georgia Public Service Commission in the case of Georgia and Savannah and the Florida Public Service Commission in the case of Gulf.

B. No other state commission (except as aforesaid) has jurisdiction with respect to the subject transactions and no federal commission other than the Securities and Exchange Commission has jurisdiction with respect thereto. The Operating Affiliates consider that the Special Purpose Subsidiaries will be

exempt from regulation under the Investment Company Act of 1940, as amended, pursuant to the "finance company" exemption afforded by Rule 3a-5 under such Act.

ITEM 5. PROCEDURE.

It is hereby requested that the Commission's order be issued as soon as the rules allow, and that there be no thirty-day waiting period between the issuance of the Commission's order and the date on which it is to become effective. The Operating Affiliates hereby waive a recommended decision by a hearing officer or other responsible officer of the Commission and hereby consent that the Division of Investment Management may assist in the preparation of the Commission's decision and/or order in this matter unless such Division opposes the matters covered hereby.

ITEM 6. EXHIBITS AND FINANCIAL STATEMENTS.

A. Exhibits:

A-1 Form of Certificate of Formation of Special Purpose Subsidiary -- to be filed by amendment.

A-2 Form of Limited Liability Company Agreement of Special Purpose Subsidiary -- to be filed by amendment.

A-3 Form of Limited Partnership Agreement of Special Purpose Subsidiary -- to be filed by amendment.

B-1 Form of Indenture or Loan Agreement -- to be filed by amendment.

B-2 Form of Note to be issued by each Operating Affiliate to its respective Special Purpose Subsidiary -- to be filed by amendment.

B-3 Form of Guaranty -- to be filed by amendment.

B-4 Form of Underwriting Agreement -- to be filed by amendment.

C Registration Statement under the Securities Act of 1933, as amended, relating to the various securities which are the subject hereof -- to be filed by amendment.

F-1 Opinion of Balch & Bingham, counsel for Alabama -- to be filed by amendment.

F-2 Opinion of Troutman Sanders, counsel for Georgia -- to be filed by amendment.

F-3 Opinion of Beggs & Lane, counsel for Gulf -- to be filed by amendment.

F-4 Opinion of Eaton and Cottrell, P.A., counsel for Mississippi -- to be filed by amendment.

F-5 Opinion of Bouhan, Williams & Levy, counsel for Savannah -- to be filed by amendment.

G Estimated sources of funds -- to be filed by amendment.

H Proposed form of notice.

B. Financial Statements -- to be filed by amendment.

ITEM 7. INFORMATION AS TO ENVIRONMENTAL EFFECTS.

A. As described in Item 1, the proposed transactions are of a routine and strictly financial nature in the ordinary course of the respective Operating Affiliates' businesses. Accordingly, the Commission's action in this matter will not constitute any major federal action significantly affecting the quality of the human environment.

B. No other federal agency has prepared or is preparing an environmental impact statement with respect to the proposed transactions.

SIGNATURES

Pursuant to the requirements of the Public Utility Holding Company Act of 1935, the undersigned companies have duly caused this statement to be signed on their behalf by the undersigned thereunto duly authorized.

Date: August 29, 1994

ALABAMA POWER COMPANY

By: _____
Wayne Boston, Assistant Secretary

GEORGIA POWER COMPANY

By: _____
Wayne Boston, Assistant Secretary

GULF POWER COMPANY

By: _____
Wayne Boston, Assistant Secretary

MISSISSIPPI POWER COMPANY

By: _____
Wayne Boston, Assistant Secretary

SAVANNAH ELECTRIC AND POWER COMPANY

By: _____
Wayne Boston, Assistant Secretary

File No. 70-8461

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

AMENDMENT NO 1
TO
FORM U-1
APPLICATION OR DECLARATION
under
The Public Utility Holding Company Act of 1935

ALABAMA POWER COMPANY
600 North 18th Street
Birmingham, Alabama 35291

GULF POWER COMPANY
500 Bayfront Parkway
Pensacola, Florida 32501

GEORGIA POWER COMPANY
333 Piedmont Avenue, N.E.
Atlanta, Georgia 30308

MISSISSIPPI POWER COMPANY
2992 West Beach
Gulfport, Mississippi 39501

SAVANNAH ELECTRIC AND POWER COMPANY
600 Bay Street, East
Savannah, Georgia 31401

(Name of company or companies filing this statement and addresses of principal executive offices)

THE SOUTHERN COMPANY

(Name of top registered holding company parent of each applicant or declarant)

Art P. Beattie, Vice President,
Secretary and Treasurer
Alabama Power Company
600 North 18th Street
Birmingham, Alabama 35291

Warren E. Tate, Secretary
and Treasurer
Gulf Power Company
500 Bayfront Parkway
Pensacola, Florida 32501

Judy M. Anderson, Vice President
and Corporate Secretary
Georgia Power Company
333 Piedmont Avenue, N.E.
Atlanta, Georgia 30308

Thomas A. Fanning, Vice President,
Secretary and Treasurer
Mississippi Power Company
2992 West Beach
Gulfport, Mississippi 39501

Kirby R. Willis, Vice President
and Chief Financial Officer
Savannah Electric and Power Company
600 Bay Street, East
Savannah, Georgia 31401

(Names and addresses of agents for service)

The Commission is requested to mail signed copies of all orders, notices and communications to:

W. L. Westbrook
Financial Vice President
The Southern Company
64 Perimeter Center East
Atlanta, Georgia 30346

John F. Young
Vice President
Southern Company Services, Inc.
One Wall Street, 42nd Floor
New York, New York 10005

John D. McLanahan, Esq.
Troutman Sanders
600 Peachtree Street, N.E., Suite 5200
Atlanta, Georgia 30308-2216

ITEM 6. EXHIBITS AND FINANCIAL STATEMENTS.

A. Exhibits:

A-1 - Certificate of Limited Partnership of Georgia Power Capital, L.P.

A-2 - Form of Amended and Restated Agreement of Limited Partnership of Georgia Power Capital, L.P.

A-3 - Form of Action of Georgia Power Company, as General Partner of Georgia Power Capital, L.P., creating fixed rate Preferred Securities.

B-1 - Form of Indenture between Georgia Power Company and Trust Company Bank.

B-2 - Form of Supplemental Indenture between Georgia Power Company and Trust Company Bank.

B-3 - Form of Guarantee Agreement of Georgia Power Company with respect to Preferred Securities.

B-4 - Form of Underwriting Agreement.

C-1 - Registration Statement under the Securities Act of 1933.

B. Financial Statements.

Balance sheet of Georgia at September 30, 1994. (Designated in Georgia's Form 10-Q for the quarter ended September 30, 1994, File No. 1-6468.)

Statements of Income of Georgia for the twelve months ended September 30, 1994. (Designated in Georgia's Form 10-Q for the quarter ended September 30, 1994, File No. 1-6468.)

SIGNATURES

Pursuant to the requirements of the Public Utility Holding Company Act of 1935, the undersigned companies have duly caused this amendment to be signed on their behalf by the undersigned thereunto duly authorized.

Date: November 16, 1994

ALABAMA POWER COMPANY

By: _____
Wayne Boston, Assistant Secretary

GEORGIA POWER COMPANY

By: _____
Wayne Boston, Assistant Secretary

GULF POWER COMPANY

By: _____
Wayne Boston, Assistant Secretary

MISSISSIPPI POWER COMPANY

By: _____
Wayne Boston, Assistant Secretary

SAVANNAH ELECTRIC AND POWER COMPANY

By: _____
Wayne Boston, Assistant Secretary

File No. 70-8461

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

AMENDMENT NO 2
TO
FORM U-1
APPLICATION OR DECLARATION
under
The Public Utility Holding Company Act of 1935

ALABAMA POWER COMPANY
600 North 18th Street
Birmingham, Alabama 35291

GULF POWER COMPANY
500 Bayfront Parkway
Pensacola, Florida 32501

GEORGIA POWER COMPANY
333 Piedmont Avenue, N.E.
Atlanta, Georgia 30308

MISSISSIPPI POWER COMPANY
2992 West Beach
Gulfport, Mississippi 39501

SAVANNAH ELECTRIC AND POWER COMPANY
600 Bay Street, East
Savannah, Georgia 31401

(Name of company or companies filing this statement
and addresses of principal executive offices)

THE SOUTHERN COMPANY

(Name of top registered holding company parent of each
applicant or declarant)

Art P. Beattie, Vice President,
Secretary and Treasurer
Alabama Power Company
600 North 18th Street
Birmingham, Alabama 35291

Warren E. Tate, Secretary
and Treasurer
Gulf Power Company
500 Bayfront Parkway
Pensacola, Florida 32501

Judy M. Anderson, Vice President
and Corporate Secretary
Georgia Power Company
333 Piedmont Avenue, N.E.
Atlanta, Georgia 30308

Thomas A. Fanning, Vice President,
Secretary and Treasurer
Mississippi Power Company
2992 West Beach
Gulfport, Mississippi 39501

Kirby R. Willis, Vice President
and Chief Financial Officer
Savannah Electric and Power Company
600 Bay Street, East
Savannah, Georgia 31401

(Names and addresses of agents for service)

The Commission is requested to mail signed copies of all orders,
notices and communications to:

W. L. Westbrook
Financial Vice President
The Southern Company
64 Perimeter Center East
Atlanta, Georgia 30346

John F. Young
Vice President
Southern Company Services, Inc.
One Wall Street, 42nd Floor
New York, New York 10005

John D. McLanahan, Esq.
Troutman Sanders
600 Peachtree Street, N.E., Suite 5200
Atlanta, Georgia 30308-2216

ITEM 1. DESCRIPTION OF PROPOSED TRANSACTIONS.

Item 1 is hereby amended by adding thereto the following:

Georgia proposes to organize its Special Purpose Subsidiary, Georgia Power Capital, L.P. ("Georgia Power Capital"), as a limited partnership under the Delaware Revised Uniform Limited Partnership Act. Georgia will be the sole general partner of Georgia Power Capital and, in such capacity, will agree to pay its costs and expenses. Georgia further proposes to organize an Investment Sub, Georgia Power LP Holdings Corp. ("Georgia Power Holdings"), as a Georgia corporation. It is proposed that such Investment Sub will serve as a limited partner of Georgia Power Capital but, upon the issuance of the Series A Preferred Securities described herein, will have no interest in the profits and dividends or in the assets of Georgia Power Capital. The sole purpose of Georgia Power Holdings is to ensure that Georgia Power Capital will at all times have a limited partner as required by applicable Delaware law.

It is proposed that Georgia Power Capital will issue 4,000,000 of its 9% Cumulative Monthly Income Preferred Securities, Series A (the "Series A Preferred Securities"), with a liquidation preference of $25 per Series A Preferred Security and an aggregate liquidation preference of $100,000,000. The proceeds realized by Georgia Power Capital from the sale of the Series A Preferred Securities, together with Georgia's capital contribution to Georgia Power Capital in the amount of $3,100,000, will be loaned to Georgia, such loan to be evidenced

by $103,100,000 aggregate principal amount of Georgia's 9% Junior Subordinated Deferrable Interest Debentures, Series A, due December 19, 2024 (the "Series A Junior Subordinated Debentures").

It is proposed that Georgia Power Capital will issue and sell the Series A Preferred Securities pursuant to an underwriting agreement among Georgia Power Capital, Georgia and a group of underwriters headed by Goldman, Sachs & Co. Pursuant to such underwriting agreement, such underwriters will purchase the Series A Preferred Securities from Georgia Power Capital at a purchase price of $25 per Series A Preferred Security (an aggregate of $100,000,000). In addition, in view of the fact that the proceeds of the sale of the Series A Preferred Securities will be loaned to Georgia, Georgia will agree to pay to the underwriters, as compensation for their services, $.7875 per Series A Preferred Security; provided, that such compensation will be $.50 per Series A Preferred Security sold to certain institutions.

Cash distributions on the Series A Preferred Securities will be cumulative from the date of original issuance at an annual rate of 9% of the liquidation preference of $25 per Series A Preferred Security and will be payable monthly in arrears on the last day of each calendar month of each year ("Dividends"). Dividends in arrears for more than one month will bear interest thereon at the rate per annum of 9% thereof. The Series A Junior Subordinated Debentures will similarly bear interest at the rate

of 9% per annum, payable monthly in arrears. Georgia will have the right from time to time to defer the payment of interest on the Series A Junior Subordinated Debentures for a period not exceeding 60 consecutive months, at the end of each of which extension periods all accrued and unpaid interest (together with interest thereon at the rate of 9% per annum) will be due and payable. As a consequence of any such extension of the interest payment period on the Series A Junior Subordinated Debentures, monthly Dividends on the Series A Preferred Securities would be correspondingly deferred.

Georgia will guarantee (the "Guarantee") the following payments with respect to the Series A Preferred Securities to the extent not paid by Georgia Power Capital:

(i) any accrued and unpaid Dividends that are required to be paid on the Series A Preferred Securities to the extent Georgia Power Capital shall have sufficient cash on hand to permit such payment and funds legally available therefor,

(ii) the redemption price, including all accrued and unpaid Dividends, payable out of funds legally available therefor, with respect to any Series A Preferred Securities called for redemption by Georgia Power Capital, and

(iii) upon a liquidation of Georgia Power Capital, the lesser of (a) the aggregate of the liquidation preference and all accrued and unpaid Dividends on the Series A Preferred Securities to the date of payment and (b) the

amount of assets of Georgia Power Capital remaining available for distribution to holders of Series A Preferred Securities in liquidation of Georgia Power Capital, payable in kind.

The Series A Preferred Securities will be redeemable at the option of Georgia Power Capital, in whole or in part, from time to time, on or after December 19, 1999, at $25 per Series A Preferred Security plus accrued and unpaid Dividends thereon to the date fixed for redemption, payable in cash. Upon any such redemption of Series A Preferred Securities in accordance with the terms thereof, the Series A Junior Subordinated Debentures will become due and payable in a principal amount equal to the aggregate stated liquidation preference of the Series A Preferred Securities so redeemed.

In addition, upon the occurrence of certain special events arising from a change in law or a change in legal interpretation or other specified circumstances relating to tax matters and the Investment Company Act of 1940, as amended, Georgia shall elect to either (i) cause Georgia Power Capital to redeem the Series A Preferred Securities in whole at the redemption price as aforesaid, or (ii) dissolve Georgia Power Capital and, after satisfaction of creditors as required by applicable Delaware law, cause Series A Junior Subordinated Debentures to be distributed to the holders of the Series A Preferred Securities in liquidation of Georgia Power Capital. In the case of such a special event relating to tax matters, Georgia may alternatively

elect to cause the Series A Preferred Securities to remain outstanding.

It is considered that the record is now complete with respect to the issuance by Georgia Power Capital of the Series A Preferred Securities and the related issuance by Georgia of the Series A Junior Subordinated Debentures and the Guarantee as described herein. Accordingly, an order with respect to such transactions is hereby requested. It is hereby requested that jurisdiction be reserved with respect to the other transactions proposed in these proceedings.

ITEM 2. FEES, COMMISSIONS AND EXPENSES.

The estimated fees and expenses to be incurred by Georgia in connection herewith are as follows:

Filing fees - Securities and Exchange Commission	
Registration Statement	$34,483
Form U-1	2,000
Charges of Trustee	13,500
Listing on New York Stock Exchange	44,300
Printing charges	30,000
Rating Agency Fees	
Moody's Investors Service, Inc.	22,500
Standard & Poor's Corporation	7,500
Duff and Phelps, Inc.	10,000
Services of Southern Company Services, Inc.	30,000
Fees and Expenses of counsel	125,000
Blue sky fees and expenses	2,500
Fees of accountants, Arthur Andersen LLP	50,000
Miscellaneous	8,217
TOTAL	$380,000

ITEM 6. EXHIBITS AND FINANCIAL STATEMENTS.

A. Exhibits:

C-2 - Amendment No. 1 to Registration Statement under the Securities Act of 1933.

F-2 - Opinion of Troutman Sanders, counsel for Georgia.

SIGNATURES

Pursuant to the requirements of the Public Utility Holding Company Act of 1935, the undersigned companies have duly caused this amendment to be signed on their behalf by the undersigned thereunto duly authorized.

Date: December 14, 1994

ALABAMA POWER COMPANY

By: _____
Wayne Boston, Assistant Secretary

GEORGIA POWER COMPANY

By: _____
Wayne Boston, Assistant Secretary

GULF POWER COMPANY

By: _____
Wayne Boston, Assistant Secretary

MISSISSIPPI POWER COMPANY

By: _____
Wayne Boston, Assistant Secretary

SAVANNAH ELECTRIC AND POWER COMPANY

By: _____
Wayne Boston, Assistant Secretary

File No. 70-8461

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

AMENDMENT NO 3
TO
FORM U-1
APPLICATION OR DECLARATION
under
The Public Utility Holding Company Act of 1935

ALABAMA POWER COMPANY
600 North 18th Street
Birmingham, Alabama 35291

GULF POWER COMPANY
500 Bayfront Parkway
Pensacola, Florida 32501

GEORGIA POWER COMPANY
333 Piedmont Avenue, N.E.
Atlanta, Georgia 30308

MISSISSIPPI POWER COMPANY
2992 West Beach
Gulfport, Mississippi 39501

SAVANNAH ELECTRIC AND POWER COMPANY
600 Bay Street, East
Savannah, Georgia 31401

(Name of company or companies filing this statement
and addresses of principal executive offices)

THE SOUTHERN COMPANY

(Name of top registered holding company parent of each
applicant or declarant)

Art P. Beattie, Vice President,
Secretary and Treasurer
Alabama Power Company
600 North 18th Street
Birmingham, Alabama 35291

Warren E. Tate, Secretary
and Treasurer
Gulf Power Company
500 Bayfront Parkway
Pensacola, Florida 32501

Judy M. Anderson, Vice President
and Corporate Secretary
Georgia Power Company
333 Piedmont Avenue, N.E.
Atlanta, Georgia 30308

Thomas A. Fanning, Vice President,
Secretary and Treasurer
Mississippi Power Company
2992 West Beach
Gulfport, Mississippi 39501

Kirby R. Willis, Vice President
and Chief Financial Officer
Savannah Electric and Power Company
600 Bay Street, East
Savannah, Georgia 31401

(Names and addresses of agents for service)

The Commission is requested to mail signed copies of all orders,
notices and communications to:

W. L. Westbrook
Financial Vice President
The Southern Company
64 Perimeter Center East
Atlanta, Georgia 30346

John F. Young
Vice President
Southern Company Services, Inc.
One Wall Street, 42nd Floor
New York, New York 10005

John D. McLanahan, Esq.
Troutman Sanders
600 Peachtree Street, N.E., Suite 5200
Atlanta, Georgia 30308-2216

ITEM 1. DESCRIPTION OF PROPOSED TRANSACTIONS.

Item 1 is hereby amended by adding thereto the following:

"The proceeds from the sale of the Series A Preferred Securities (as defined in Amendment No. 2 to this proceeding) will be loaned by Georgia Power Capital to Georgia, such loan to be evidenced by the Series A Junior Subordinated Debentures (as defined in said Amendment No. 2) and ultimately will be used by Georgia for general corporate purposes, including repayment of outstanding short-term debt. None of such proceeds will be used by Georgia or any associate company thereof for the acquisition of an interest in an "exempt wholesale generator" or a "foreign utility company" as defined in Sections 32 and 33, respectively, of the Act."

SIGNATURES

Pursuant to the requirements of the Public Utility Holding Company Act of 1935, the undersigned companies have duly caused this amendment to be signed on their behalf by the undersigned thereunto duly authorized.

Date: December 15, 1994

ALABAMA POWER COMPANY

By: _____
Wayne Boston, Assistant Secretary

GEORGIA POWER COMPANY

By: _____
Wayne Boston, Assistant Secretary

GULF POWER COMPANY

By: _____
Wayne Boston, Assistant Secretary

MISSISSIPPI POWER COMPANY

By: _____
Wayne Boston, Assistant Secretary

SAVANNAH ELECTRIC AND POWER COMPANY

By: _____
Wayne Boston, Assistant Secretary

File No. 70-8461

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

AMENDMENT NO. 4
TO
FORM U-1
APPLICATION OR DECLARATION
under
The Public Utility Holding Company Act of 1935

ALABAMA POWER COMPANY
600 North 18th Street
Birmingham, Alabama 35291

GULF POWER COMPANY
500 Bayfront Parkway
Pensacola, Florida 32501

GEORGIA POWER COMPANY
333 Piedmont Avenue, N.E.
Atlanta, Georgia 30308

MISSISSIPPI POWER COMPANY
2992 West Beach
Gulfport, Mississippi 39501

SAVANNAH ELECTRIC AND POWER COMPANY
600 Bay Street, East
Savannah, Georgia 31401

(Name of company or companies filing this statement and addresses of principal executive offices)

THE SOUTHERN COMPANY

(Name of top registered holding company parent of each applicant or declarant)

Art P. Beattie, Vice President,
Secretary and Treasurer
Alabama Power Company
600 North 18th Street
Birmingham, Alabama 35291

Warren E. Tate, Secretary
and Treasurer
Gulf Power Company
500 Bayfront Parkway
Pensacola, Florida 32501

Judy M. Anderson, Vice President
and Corporate Secretary
Georgia Power Company
333 Piedmont Avenue, N.E.
Atlanta, Georgia 30308

Michael W. Southern, Vice
President, Secretary and Treasurer
Mississippi Power Company
2992 West Beach
Gulfport, Mississippi 39501

Kirby R. Willis, Vice President, Treasurer
and Chief Financial Officer
Savannah Electric and Power Company
600 Bay Street, East
Savannah, Georgia 31401

(Names and addresses of agents for service)

The Commission is requested to mail signed copies of all orders, notices and communications to:

W. L. Westbrook
Financial Vice President
The Southern Company
64 Perimeter Center East
Atlanta, Georgia 30346

John D. McLanahan, Esq.
Troutman Sanders LLP
600 Peachtree Street, N.E.
Suite 5200
Atlanta, Georgia 30308-2216

ITEM 1. DESCRIPTION OF PROPOSED TRANSACTIONS.

Item 1 is hereby amended by adding thereto the following:

Each Operating Affiliate proposes that, in addition to a Special Purpose Subsidiary organized as either a limited liability company or a limited partnership, such Special Purpose Subsid ary may be organized as a trust (a "Trust"). Except as described below, the proposed Preferred Securities transactions effected through a Trust will be carried out in the same manner, will have the same terms and conditions, and will be subject to the same rules and regulations as the proposed Preferred Securities transactions effected through a Special Purpose Subsidiary organized as a limited liability company or limited partnership.

Each Operating Affiliate further proposes that, in addition to, or as an alternative to, any tax-advantaged preferred equity financing transaction through a Special Purpose Subsidiary, it may issue Notes of such Operating Affiliate directly to investors without an intervening Special Purpose Subsidiary. Such Notes will be unsecured and subordinated obligations of the Operating Affiliate.

A. In the case of a Trust, the Operating Affiliate will establish the Trust by depositing its Equity Contribution with an independent trustee (the "Trustee") under a declaration of trust or trust agreement. It is contemplated that, at the closing of a Preferred Securities offering, the Trust simultaneously will (i) issue to investors for cash a senior class of trust certificates constituting the Preferred Securities (as defined in connection

with the other types of Special Purpose Subsidiaries), (ii) purchase from the Operating Affiliate a Note, and (iii) pay for the Note by delivering to the Operating Affiliate the cash proceeds of the Preferred Securities received from investors and a junior trust certificate representing the Equity Contribution (the "Junior Certificate").

The holders of the Preferred Securities and the Junior Certificate will receive as distributions on payment dates their pro rata shares of payments received by the Trust on the Note, except that, in the event of default or partial payment by the Operating Affiliate on the Note, the payment entitlement of the Operating Affiliate as holder of the Junior Certificate will be subordinated to the payment entitlement of the investors as holders of the Preferred Securities. Similarly, if on liquidation of the Trust, the proceeds from the sale or other liquidation of the Trust's assets were not sufficient to fully satisfy the payment entitlements of the Preferred Securities and the Junior Certificate with respect to principal, the payment entitlement with respect to principal of the Operating Affiliate as holder of the Junior Certificate will be subordinated to the payment entitlement of the investors as holders of the Preferred Securities. The Trust Agreement will provide that holders of Preferred Securities will have only the rights expressly granted to them by the Trust Agreement, including the right to receive distributions and certain consensual rights expressly provided.

The Operating Affiliate, as grantor of the Trust, will select the Trustee. Additionally, unless and until there is a

default on the Note, (i) the Operating Affiliate will have the right to replace the Trustee, subject to any Trustee eligibility requirements set forth in the Trust Agreement, and (ii) consensual rights exercised by holders of Preferred Securities generally will be exercised by the Operating Affiliate, subject to certain protections for holders of Preferred Securities. If a default under the Note occurs, the holders of Preferred Securities would have the right to replace the Trustee. The Trustee would be required under the Trust Agreement to enforce the Trust's rights under the Note.

As in the case of a limited liability company or limited partnership as a Special Purpose Subsidiary, the Note issued to the Trust will have a stated maturity (including any extension) of up to 50 years and will not be convertible into any other securities or assets of either the Operating Affiliate or the Trust. The payment terms of the Note will be like those in a Preferred Securities offering through a limited liability company or limited partnership (including, for example, the Operating Affiliate's right to defer interest payments on the Note for up to five years), and it is proposed that distributions with respect to Preferred Securities (and interest payments on the related Note) may be payable on any periodic basis (monthly, quarterly, semi-annually, etc.). The Trust Agreement may provide that the Operating Affiliate will guarantee distributions by the Trustee to holders of Preferred Securities subject to the Trustee having sufficient funds available for such distributions from payments received on the Note, and the Operating Affiliate, as

grantor under the Trust Agreement, may agree to pay the expenses of the Trust.

It is contemplated that, for Federal income tax purposes, the Trust will be treated as a passive grantor trust and not as a partnership. Accordingly, as in the case of a limited liability company or limited partnership Special Purpose Subsidiary, the Trust will not be subject to tax and the Operating Affiliate and investors holding Preferred Securities will be treated as the owners of the Trust and will be required to include in income their proportionate shares of the income of the Trust. However, the information reporting procedure for a Trust would differ from the procedures used when the Special Purpose Subsidiary is a limited liability company or a limited partnership. Investors would receive tax reporting information from their brokers on an IRS Form 1099, rather than the Schedule K-1.

It is anticipeted that the Trust will be exempt from status as an "investment company" under the Investment Company Act of 1940, as amended, in reliance on the finance subsidiary rule (Rule 3a-5).

B. As stated above, each Operating Affiliate further proposes that such Operating Affiliate may issue and sell its Notes directly to investors, rather than utilizing a Special Purpose Subsidiary as a financing vehicle.

SIGNATURES

Pursuant to the requirements of the Public Utility Holding Company Act of 1935, the undersigned companies have duly caused this amendment to be signed on their behalf by the undersigned thereunto duly authorized.

Date: October 10, 1995

ALABAMA POWER COMPANY

By: _____
Wayne Boston, Assistant Secretary

GEORGIA POWER COMPANY

By: _____
Wayne Boston, Assistant Secretary

GULF POWER COMPANY

By: _____
Wayne Boston, Assistant Secretary

MISSISSIPPI POWER COMPANY

By: _____
Wayne Boston, Assistant Secretary

SAVANNAH ELECTRIC AND POWER COMPANY

By: _____
Wayne Boston, Assistant Secretary

File No. 70-8461

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

AMENDMENT NO. 5
(Post-Effective No. 2)
TO
FORM U-1
APPLICATION OR DECLARATION
under
The Public Utility Holding Company Act of 1935

ALABAMA POWER COMPANY
600 North 18th Street
Birmingham, Alabama 35291

GULF POWER COMPANY
500 Bayfront Parkway
Pensacola, Florida 32501

GEORGIA POWER COMPANY
333 Piedmont Avenue, N.E.
Atlanta, Georgia 30308

MISSISSIPPI POWER COMPANY
2992 West Beach
Gulfport, Mississippi 39501

SAVANNAH ELECTRIC AND POWER COMPANY
600 Bay Street, East
Savannah, Georgia 31401

(Name of company or companies filing this statement and addresses of principal executive offices)

THE SOUTHERN COMPANY

(Name of top registered holding company parent of each applicant or declarant)

Art P. Beattie, Vice President,
Secretary and Treasurer
Alabama Power Company
600 North 18th Street
Birmingham, Alabama 35291

Warren E. Tate, Secretary
and Treasurer
Gulf Power Company
500 Bayfront Parkway
Pensacola, Florida 32501

Judy M. Anderson, Vice President
and Corporate Secretary
Georgia Power Company
333 Piedmont Avenue, N.E.
Atlanta, Georgia 30308

Michael W. Southern, Vice
President, Secretary and Treasurer
Mississippi Power Company
2992 West Beach
Gulfport, Mississippi 39501

Kirby R. Willis, Vice President, Treasurer
and Chief Financial Officer
Savannah Electric and Power Company
600 Bay Street, East
Savannah, Georgia 31401

(Names and addresses of agents for service)

The Commission is requested to mail signed copies of all orders, notices and communications to:

W. L. Westbrook
Financial Vice President
The Southern Company
64 Perimeter Center East
Atlanta, Georgia 30346

John D. McLanahan, Esq.
Troutman Sanders LLP
600 Peachtree Street, N.E.
Suite 5200
Atlanta, Georgia 30308-2216

The Application or Declaration, as previously amended in this proceeding, is further amended by withdrawing Amendment No. 4.

SIGNATURES

Pursuant to the requirements of the Public Utility Holding Company Act of 1935, the undersigned companies have duly caused this amendment to be signed on their behalf by the undersigned hereunto duly authorized.

Date: October 25, 1995

ALABAMA POWER COMPANY

By: _____
Wayne Boston, Assistant Secretary

GEORGIA POWER COMPANY

By: _____
Wayne Boston, Assistant Secretary

GULF POWER COMPANY

By: _____
Wayne Boston, Assistant Secretary

MISSISSIPPI POWER COMPANY

By: _____
Wayne Boston, Assistant Secretary

SAVANNAH ELECTRIC AND POWER COMPANY

By: _____
Wayne Boston, Assistant Secretary

File No. 70-8461

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

AMENDMENT NO. 6
(Post-Effective No. 3)
TO
FORM U-1
APPLICATION OR DECLARATION
under
The Public Utility Holding Company Act of 1935

ALABAMA POWER COMPANY
600 North 18th Street
Birmingham, Alabama 35291

GULF POWER COMPANY
500 Bayfront Parkway
Pensacola, Florida 32501

GEORGIA POWER COMPANY
333 Piedmont Avenue, N.E.
Atlanta, Georgia 30308

MISSISSIPPI POWER COMPANY
2992 West Beach
Gulfport, Mississippi 39501

SAVANNAH ELECTRIC AND POWER COMPANY
600 East Bay Street
Savannah, Georgia 31401

(Name of company or companies filing this statement
and addresses of principal executive offices)

THE SOUTHERN COMPANY

(Name of top registered holding company parent of each
applicant or declarant)

Art P. Beattie, Vice President,
Secretary and Treasurer
Alabama Power Company
600 North 18th Street
Birmingham, Alabama 35291

Warren E. Tate, Secretary
and Treasurer
Gulf Power Company
500 Bayfront Parkway
Pensacola, Florida 32501

Judy M. Anderson, Vice President
and Corporate Secretary
Georgia Power Company
333 Piedmont Avenue, N.E.
Atlanta, Georgia 30308

Michael W. Southern, Vice
President, Secretary and Treasurer
Mississippi Power Company
2992 West Beach
Gulfport, Mississippi 39501

Kirby R. Willis, Vice President, Treasurer
and Chief Financial Officer
Savannah Electric and Power Company
600 East Bay Street
Savannah, Georgia 31401

(Names and addresses of agents for service)

The Commission is requested to mail signed copies of all orders,
notices and communications to:

W. L. Westbrook
Financial Vice President
The Southern Company
270 Peachtree Street, NW
Atlanta, Georgia 30303

John D. McLanahan, Esq.
Troutman Sanders LLP
600 Peachtree Street, N.E.
Suite 5200
Atlanta, Georgia 30308-2216

ITEM 1. DESCRIPTION OF PROPOSED TRANSACTIONS.

Item 1 is hereby amended by adding thereto the following:

"Alabama proposes, in addition to a Special Purpose Subsidiary organized as either a limited liability company or a limited partnership, to organize its Special Purpose Subsidiary as a trust, Alabama Power Capital Trust I ("Alabama Power Capital"). The proposed Preferred Securities transactions effected through Alabama Power Capital will be carried out in the same manner, will have the same terms and conditions, and will be subject to the same rules and regulations as the proposed Preferred Securities transactions effected through a Special Purpose Subsidiary organized as a limited liability company or limited partnership.

Alabama Power Capital is a statutory business trust formed under Delaware law pursuant to the filing of a certificate of trust with the Delaware Secretary of State on November 8, 1995. Alabama Power Capital's business is defined in a trust agreement, executed by Alabama, as Depositor, and the Delaware Trustee (the "Trustee") thereunder, filed as Exhibit A-1 hereto. Alabama, as grantor of Alabama Capital, selected Chemical Bank as the Trustee. It is proposed that this trust agreement will be amended and restated in its entirety, substantially in the form of Exhibit A-2 hereto, on the date of the offering (the "Trust Agreement"). Alabama Power Capital exists for the exclusive purposes of (i) issuing the Trust Preferred Securities (as defined below) and the Trust Common Securities (as defined below)(the Trust Preferred Securities and the Trust Common Securities herein called the "Trust Securities") which represent

the undivided beneficial interests in the assets of Alabama Power Capital, (ii) investing the gross proceeds of the Trust Securities in the Junior Subordinated Notes (as defined below) and (iii) engaging in only those other activities necessary, appropriate, convenient or incidental thereto. Alabama Power Capital has a term of approximately thirty (30) years, but may terminate earlier.

It is proposed that Alabama Power Capital will issue 3,880,000 of its Trust Preferred Securities (the "Trust Preferred Securities"), with a liquidation preference of $25 per Trust Preferred Security and an aggregate liquidation preference of $97,000,000. It is contemplated that the interest rate to be borne by the Trust Preferred Securities (which shall also be the rate for the Trust Common Securities and Junior Subordinated Notes) will be a fixed rate which shall not be above an annual rate of 10% of the liquidation preference of $25 per Trust Preferred Security (the "Interest Rate"). It is proposed that Alabama Power Capital will issue its Trust Common Securities, registered in the name of Alabama, in an aggregate amount of $3,000,000 (the "Trust Common Securities") to Alabama. The proceeds realized by Alabama Power Capital from the sale of the Trust Preferred Securities, together with Alabama's payment to Alabama Power Capital in the amount of $3,000,000 for the Trust Common Securities, will be loaned to Alabama, such loan to be evidenced by $100,000,000 aggregate principal amount of Alabama's Series A Junior Subordinated Notes (the "Junior Subordinated Notes"). It is proposed that the Junior Subordinated Notes will

mature not more than thirty (30) years from the first day of the month in which they are initially issued. It is also proposed that the Junior Subordinated Notes will not be convertible into any other securities or assets of Alabama or Alabama Capital Trust.

The holders of the Trust Preferred Securities and the Trust Common Securities will receive as distributions on payment dates their pro rata shares of payments received by Alabama Power Capital on the Junior Subordinated Notes, except that, in the event of default or partial payment by Alabama on the Junior Subordinated Notes, the payment entitlement of Alabama as holder of the Trust Common Securities will be subordinated to the payment entitlement of the investors as holders of the Trust Preferred Securities. Similarly, if on liquidation of Alabama Power Capital, the proceeds from the sale or other liquidation of Alabama Power Capital's assets were not sufficient to fully satisfy the payment entitlements of the Trust Preferred Securities and the Trust Common Securities with respect to principal, the payment entitlement with respect to principal of Alabama as holder of the Trust Common Securities will be subordinated to the payment entitlement of the investors as holders of the Trust Preferred Securities. The Trust Agreement will provide that holders of Trust Preferred Securities will have only the rights expressly granted to them by the Trust Agreement, including the right to receive distributions and certain consensual rights expressly provided.

It is proposed that Alabama Power Capital will issue and

sell the Trust Preferred Securities pursuant to an underwriting agreement, substantially in the form of Exhibit B-4 hereto, among Alabama Power Capital, Alabama and a group of underwriters headed by Lehman Brothers Inc. Pursuant to such underwriting agreement, such underwriters will purchase the Trust Preferred Securities from Alabama Power Capital at a purchase price of $25 per Trust Preferred Security (an aggregate of $97,000,000). In addition, in view of the fact that the proceeds of the sale of the Trust Preferred Securities will be loaned to Alabama, Alabama will agree to pay to the underwriters, as compensation for their services, a maximum of $.7875 per Trust Preferred Security; provided, that such compensation will not exceed $.50 per Trust Preferred Security sold to certain institutions.

Cash distributions on the Trust Securities will be cumulative from the date of original issuance at the Interest Rate and will be payable quarterly in arrears as described in the Trust Agreement. Such distributions in arrears for more than one quarter will bear interest thereon at the Interest Rate. The Junior Subordinated Notes will similarly bear interest at the Interest Rate, payable quarterly in arrears. Alabama will have the right from time to time to defer the payment of interest on the Junior Subordinated Notes for a period not exceeding 20 consecutive quarters, at the end of each of which extension periods all accrued and unpaid interest (together with interest thereon at the Interest Rate) will be due and payable. As a consequence of any such extension of the interest payment period on the Junior Subordinated Notes, quarterly distributions on the

Trust Preferred Securities would be correspondingly deferred.

Alabama will guarantee (the "Guarantee") the following payments with respect to the Trust Preferred Securities to the extent not paid by Alabama Power Capital:

(i) any accrued and unpaid distributions that are required to be paid on the Trust Preferred Securities but if and only if and to the extent Alabama Power Capital shall have funds legally and immediately available therefor,

(ii) the redemption price, including all accrued and unpaid distributions to the date of redemption, with respect to any Trust Preferred Securities called for redemption by Alabama Power Capital but if and only to the extent that Alabama Power Capital has funds legally and immediately available therefor, and

(iii) upon a dissolution, winding-up or termination of Alabama Power Capital (other than in connection with the distribution of Junior Subordinated Notes to the holders of Trust Preferred Securities (as described below) or the redemption of all the Trust Preferred Securities), the lesser of (a) the aggregate of the liquidation amount and all accrued and unpaid distributions on the Trust Preferred Securities to the date of payment, to the extent Alabama Power Capital has funds legally and immediately

available therefor, and (b) the amount of assets of Alabama Power Capital remaining available for distribution to holders of Trust Preferred Securities in liquidation of Alabama Power Capital.

The Trust Securities are subject to mandatory redemption upon repayment of the Junior Subordinated Notes at maturity or upon their earlier redemption. The Junior Subordinated Notes may be redeemed, in whole or in part, at the option of Alabama at any time on or after five (5) years from the date of their issuance. In addition, upon the occurrence of certain special events arising from a change in law or a change in legal interpretation or other specified circumstances relating to tax matters and the Investment Company Act of 1940, as amended, Alabama shall elect to either (i) redeem the Junior Subordinated Notes (and thus cause the redemption of the Trust Securities), or (ii) dissolve Alabama Power Capital and, after satisfaction of creditors as required by applicable Delaware law, cause Junior Subordinated Notes to be distributed to the holders of the Trust Preferred Securities in liquidation of Alabama Power Capital. In the case of such a special event, the Trust shall have the opportunity to eliminate such special event within ninety (90) days after the occurrence thereof by taking some ministerial action, such as filing a form or making an election, or pursuing some other reasonable measure, which would have no adverse effect on Alabama Power Capital, Alabama, or the holders of the Trust Preferred Securities.

Unless an event of default occurs and is continuing under the Trust Agreement, (i) Alabama will have the right to replace the Trustee, subject to any Trustee eligibility requirements set forth in the Trust Agreement, and (ii) consensual rights exercised by holders of the Trust Preferred Securities generally will be exercised by Alabama, subject to certain protections for holders of the Trust Preferred Securities. If an event of default occurs and is continuing under the Trust Agreement, the holders of the Trust Preferred Securities would have the right to replace the Trustee. The Trustee would be required under the Trust Agreement to enforce Alabama Power Capital's rights under the Junior Subordinated Notes.

It is contemplated that, for Federal income tax purposes, Alabama Power Capital will be treated as a passive grantor trust and not as a partnership. Accordingly, as in the case of a limited liability company or limited partnership Special Purpose Subsidiary, Alabama Power Capital will not be subject to tax and Alabama and investors holding Trust Preferred Securities will be treated as the owners of Alabama Power Capital and will be required to include in income their proportionate shares of the income of Alabama Power Capital. However, the information reporting procedure for Alabama Power Capital would differ from the procedures used when the Special Purpose Subsidiary is a limited liability company or a limited partnership. Investors would receive tax reporting information from their brokers on an IRS Form 1099, rather than the Schedule K-1.

It is anticipated that Alabama Power Capital will be

exempt from status as an "investment company" under the Investment Company Act of 1940, as amended, in reliance on the finance subsidiary rule (Rule 3a-5).

The proceeds from the sale of the Trust Preferred Securities will be loaned by Alabama Power Capital to Alabama, such loan to be evidenced by the Junior Subordinated Notes and ultimately will be used by Alabama for general corporate purposes, including repayment of outstanding short-term debt. None of such proceeds will be used by Alabama or any associate company thereof for the acquisition of an interest in an "exempt wholesale generator" or a "foreign utility company" as defined in Sections 32 and 33, respectively, of the Act.

It is considered that the record is now complete with respect to the issuance by Alabama Power Capital of the Trust Preferred Securities and the related issuance by Alabama of the Junior Subordinated Notes and the Guarantee as described herein. Accordingly, an order with respect to such transactions is hereby requested. It is hereby requested that jurisdiction be reserved with respect to the other transactions proposed in these proceedings."

ITEM 2. FEES, COMMISSIONS AND EXPENSES.

The estimated fees and expenses to be incurred by Alabama in connection herewith are as follows:

Filing fees - Securities and Exchange Commission	$ 33,450
Fees and Expenses of Trustees	30,000
Listing on New York Stock Exchange	44,300
Printing charges	30,000
Rating Agency Fees	40,000
Services of Southern Company Services, Inc.	30,000
Fees and Expenses of counsel	125,000
Blue sky fees and expenses	2,500
Fees of accountants, Arthur Andersen LLP	25,000
Miscellaneous	4,750
TOTAL	$165,000

ITEM 3. APPLICABLE STATUTORY PROVISIONS.

Item 3 is hereby amended by adding the following thereto:

"Rule 54 Analysis. Under Rule 54, in determining whether to approve the issue or sale of a security by a registered holding company for purposes other than the acquisition of an "exempt wholesale generator" or "foreign utility company", or other transactions by such registered holding company or its subsidiaries other than with respect to "exempt wholesale generators" or "foreign utility companies," the Commission shall not consider the effect of the capitalization or earnings of any subsidiary which is an "exempt wholesale generator" or a "foreign utility company" upon the registered holding company system if the "safe harbor" conditions of Rule 53 are satisfied.

Southern currently meets all of the "safe harbor" conditions of Rule 53. Southern's "aggregate investment" in "exempt wholesale generators" and "foreign utility companies" at October 31, 1995 was approximately $1.250 billion, representing approximately 38.0% of Southern's "consolidated retained earnings," as defined in Rule 53(a)(1)(ii), for the four quarters

ended September 30, 1995 ($3.292 billion). Furthermore, Southern has and will continue to comply with the record keeping requirements of Rule 53(a)(2) concerning affiliated "exempt wholesale generators" and "foreign utility companies." In addition, as required by Rule 53(a)(3), no more than 2% of the employees of Southern's operating utility subsidiaries will, at any one time, directly or indirectly, render services to "exempt wholesale generators" and "foreign utility companies." Finally, since none of the circumstances described in Rule 53(b) exists, the provisions of Rule 53(a) are not made inapplicable by Rule 53(b)."

ITEM 6. EXHIBITS AND FINANCIAL STATEMENTS.

A. Exhibits:

A-1 - Trust Agreement of Alabama Power Capital Trust I. (Designated in Form S-3 File No. 33-64125, as Exhibit 4(c).)

A-2 - Form of Amended and Restated Trust Agreement. (Designated in Form S-3 File No. 33-64125, as Exhibit 4(d).)

B-1 - Form of Subordinated Note Indenture between Alabama Power Company and Chemical Bank, as Trustee. (Designated in Form S-3 File No. 33-64125, as Exhibit 4(a).)

B-2 - Form of Supplemental Indenture to Subordinated Note Indenture between Alabama Power Company and Chemical Bank, as Trustee. (Designated in Form S-3 File No. 33-64125, as Exhibit 4(b).)

B-3 - Form of Guarantee with respect to Preferred Securities. (Designated in Form S-3 File No. 33-64125, as Exhibit 4(g).)

B-4 - Form of Underwriting Agreement. (Designated in Form S-3 File No. 33-64125, as Exhibit 1.)

C-1 - Registration Statement under the Securities Act of 1933. (Filed electronically November 9, 1995, File No. 33-64125.)

C-2 - Amendment No. 1 to Registration Statement under the Securities Act of 1933. (Filed electronically January 11, 1996, File No. 33-64125.)

F-1 - Opinion of Balch & Bingham, counsel for Alabama.

B. Financial Statements.

Balance sheet of Alabama at September 30, 1995. (Designated in Alabama's Form 10-Q for the quarter ended September 30, 1995, File No. 1-3164.)

Statements of Income of Georgia for the twelve months ended September 30, 1995. (Designated in Alabama's Form 10-Q for the quarter ended September 30, 1995, File No. 1-3164.)

SIGNATURES

Pursuant to the requirements of the Public Utility Holding Company Act of 1935, the undersigned companies have duly caused this amendment to be signed on their behalf by the undersigned thereunto duly authorized.

Date: January 16, 1996

ALABAMA POWER COMPANY

By: _____
Wayne Boston, Assistant Secretary

GEORGIA POWER COMPANY

By: _____
Wayne Boston, Assistant Secretary

GULF POWER COMPANY

By: _____
Wayne Boston, Assistant Secretary

MISSISSIPPI POWER COMPANY

By: _____
Wayne Boston, Assistant Secretary

SAVANNAH ELECTRIC AND POWER COMPANY

By: _____
Wayne Boston, Assistant Secretary

File No. 70-8451

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

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(Post-Effective No. 3)
TO
FORM U-1
APPLICATION OR DECLARATION
under
The Public Utility Holding Company Act of 1935

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600 East Bay Street
Savannah, Georgia 31401

(Name of company or companies filing this statement
and addresses of principal executive offices)

THE SOUTHERN COMPANY

(Name of top registered holding company parent of each
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Warren E. Tate, Secretary
and Treasurer
Gulf Power Company
500 Bayfront Parkway
Pensacola, Florida 32501

Judy M. Anderson, Vice President
and Corporate Secretary
Georgia Power Company
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Atlanta, Georgia 30308

Michael W. Southern, Vice
President, Secretary and Treasurer
Mississippi Power Company
2992 West Beach
Gulfport, Mississippi 39501

Kirby R. Willis, Vice President, Treasurer
and Chief Financial Officer
Savannah Electric and Power Company
600 East Bay Street
Savannah, Georgia 31401

(Names and addresses of agents for service)

The Commission is requested to mail signed copies of all orders,
notices and communications to:

W. L. Westbrook
Financial Vice President
The Southern Company
270 Peachtree Street, NW
Atlanta, Georgia 30303

John D. McLanahan, Esq.
Troutman Sanders LLP
600 Peachtree Street, N.E.
Suite 5200
Atlanta, Georgia 30308-2216

ITEM 1. DESCRIPTION OF PROPOSED TRANSACTIONS.

Item 1 is hereby amended by adding thereto the following:

"Alabama proposes, in addition to a Special Purpose Subsidiary organized as either a limited liability company or a limited partnership, to organize its Special Purpose Subsidiary as a trust, Alabama Power Capital Trust I ("Alabama Power Capital"). The proposed Preferred Securities transactions effected through Alabama Power Capital will be carried out in the same manner, will have the same terms and conditions, and will be subject to the same rules and regulations as the proposed Preferred Securities transactions effected through a Special Purpose Subsidiary organized as a limited liability company or limited partnership.

Alabama Power Capital is a statutory business trust formed under Delaware law pursuant to the filing of a certificate of trust with the Delaware Secretary of State on November 8, 1995. Alabama Power Capital's business is defined in a trust agreement, executed by Alabama, as Depositor, and the Delaware Trustee (the "Trustee") thereunder, filed as Exhibit A-1 hereto. Alabama, as grantor of Alabama Capital, selected Chemical Bank as the Trustee. It is proposed that this trust agreement will be amended and restated in its entirety, substantially in the form of Exhibit A-2 hereto, on the date of the offering (the "Trust Agreement"). Alabama Power Capital exists for the exclusive purposes of (i) issuing the Trust Preferred Securities (as defined below) and the Trust Common Securities (as defined below) (the Trust Preferred Securities and the Trust Common Securities herein called the "Trust Securities") which represent

the undivided beneficial interests in the assets of Alabama Power Capital, (ii) investing the gross proceeds of the Trust Securities in the Junior Subordinated Notes (as defined below) and (iii) engaging in only those other activities necessary, appropriate, convenient or incidental thereto. Alabama Power Capital has a term of approximately thirty (30) years, but may terminate earlier.

It is proposed that Alabama Power Capital will issue 3,880,000 of its Trust Preferred Securities (the "Trust Preferred Securities"), with a liquidation preference of $25 per Trust Preferred Security and an aggregate liquidation preference o. $97,000,000. It is contemplated that the interest rate to be borne by the Trust Preferred Securities (which shall also be the rate for the Trust Common Securities and Junior Subordinated Notes) will be a fixed rate which shall not be above an annual rate of 10% of the liquidation preference of $25 per Trust Preferred Security (the "Interest Rate"). It is proposed that Alabama Power Capital will issue its Trust Common Securities, registered in the name of Alabama, in an aggregate amount of $3,000,000 (the "Trust Common Securities") to Alabama. The proceeds realized by Alabama Power Capital from the sale of the Trust Preferred Securities, together with Alabama's payment to Alabama Power Capital in the amount of $3,000,000 for the Trust Common Securities, will be loaned to Alabama, such loan to be evidenced by $100,000,000 aggregate principal amount of Alabama's Series A Junior Subordinated Notes (the "Junior Subordinated Notes"). It is proposed that the Junior Subordinated Notes will

nature not more than thirty (30) years from the first day of the month in which they are initially issued. It is also proposed that the Junior Subordinated Notes will not be convertible into any other securities or assets of Alabama or Alabama Capital Trust.

The holders of the Trust Preferred Securities and the Trust Common Securities will receive as distributions on payment dat s their pro rata shares of payments received by Alabama Power Capital on the Junior Subordinated Notes, except that, in the event of default or partial payment by Alabama on the Junior Subordinated Notes, the payment entitlement of Alabama as holder of the Trust Common Securities will be subordinated to the payment entitlement of the investors as holders of the Trust Preferred Securities. Similarly, if on liquidation of Alabama Power Capital, the proceeds from the sale or other liquidation of Alabama Power Capital's assets were not sufficient to fully satisfy the payment entitlements of the Trust Preferred Securities and the Trust Common Securities with respect to principal, the payment entitlement with respect to principal of Alabama as holder of the Trust Common Securities will be subordinated to the payment entitlement of the investors as holders of the Trust Preferred Securities. The Trust Agreement will provide that holders of Trust Preferred Securities will have only the rights expressly granted to them by the Trust Agreement, including the right to receive distributions and certain consensual rights expressly provided.

It is proposed that Alabama Power Capital will issue and

sell the Trust Preferred Securities pursuant to an underwriting agreement, substantially in the form of Exhibit B-4 hereto, among Alabama Power Capital, Alabama and a group of underwriters headed by Lehman Brothers Inc. Pursuant to such underwriting agreement, such underwriters will purchase the Trust Preferred Securities from Alabama Power Capital at a purchase price of $25 per Trust Preferred Security (an aggregate of $97,000,000). In addition, in view of the fact that the proceeds of the sale of the Trust Preferred Securities will be loaned to Alabama, Alabama will agree to pay to the underwriters, as compensation for their services, a maximum of $.7875 per Trust Preferred Security; provided, that such compensation will not exceed $.50 per Trust Preferred Security sold to certain institutions.

Cash distributions on the Trust Securities will be cumulative from the date of original issuance at the Interest Rate and will be payable quarterly in arrears as described in the Trust Agreement. Such distributions in arrears for more than one quarter will bear interest thereon at the Interest Rate. The Junior Subordinated Notes will similarly bear interest at the Interest Rate, payable quarterly in arrears. Alabama will have the right from time to time to defer the payment of interest on the Junior Subordinated Notes for a period not exceeding 20 consecutive quarters, at the end of each of which extension periods all accrued and unpaid interest (together with interest thereon at the Interest Rate) will be due and payable. As a consequence of any such extension of the interest payment period on the Junior Subordinated Notes, quarterly distributions on the

Trust Preferred Securities would be correspondingly deferred.

Alabama will guarantee (the "Guarantee") the following payments with respect to the Trust Preferred Securities to the extent not paid by Alabama Power Capital:

(i) any accrued and unpaid distributions that are required to be paid on the Trust Preferred Securities but if and only if and to the extent Alabama Power Capital shall have funds legally and immediately available therefor,

(ii) the redemption price, including all accrued and unpaid distributions to the date of redemption, with respect to any Trust Preferred Securities called for redemption by Alabama Power Capital but if and only to the extent that Alabama Power Capital has funds legally and immediately available therefor, and

(iii) upon a dissolution, winding-up or termination of Alabama Power Capital (other than in connection with the distribution of Junior Subordinated Notes to the holders of Trust Preferred Securities (as described below) or the redemption of all the Trust Preferred Securities), the lesser of (a) the aggregate of the liquidation amount and all accrued and unpaid distributions on the Trust Preferred Securities to the date of payment, to the extent Alabama Power Capital has funds legally and immediately

available therefor, and (b) the amount of assets of Alabama Power Capital remaining available for distribution to holders of Trust Preferred Securities in liquidation of Alabama Power Capital.

The Trust Securities are subject to mandatory redemption upon repayment of the Junior Subordinated Notes at maturity or upon their earlier redemption. The Junior Subordinated Notes may be redeemed, in whole or in part, at the option of Alabama at any time on or after five (5) years from the date of their issuance. In addition, upon the occurrence of certain special events arising from a change in law or a change in legal interpretation or other specified circumstances relating to tax matters and the Investment Company Act of 1940, as amended, Alabama shall elect to either (i) redeem the Junior Subordinated Notes (and thus cause the redemption of the Trust Securities), or (ii) dissolve Alabama Power Capital and, after satisfaction of creditors as required by applicable Delaware law, cause Junior Subordinated Notes to be distributed to the holders of the Trust Preferred Securities in liquidation of Alabama Power Capital. In the case of such a special event, the Trust shall have the opportunity to eliminate such special event within ninety (90) days after the occurrence thereof by taking some ministerial action, such as filing a form or making an election, or pursuing some other reasonable measure, which would have no adverse effect on Alabama Power Capital, Alabama, or the holders of the Trust Preferred Securities.

Unless an event of default occurs and is continuing under the Trust Agreement, (i) Alabama will have the right to replace the Trustee, subject to any Trustee eligibility requirements set forth in the Trust Agreement, and (ii) consensual rights exercised by holders of the Trust Preferred Securities generally will be exercised by Alabama, subject to certain protections for holders of the Trust Preferred Securities. If an event of default occurs and is continuing under the Trust Agreement, the holders of the Trust Preferred Securities would have the right to replace the Trustee. The Trustee would be required under the Trust Agreement to enforce Alabama Power Capital's rights under the Junior Subordinated Notes.

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The proceeds from the sale of the Trust Preferred Securities will be loaned by Alabama Power Capital to Alabama, such loan to be evidenced by the Junior Subordinated Notes and ultimately will be used by Alabama for general corporate purposes, including repayment of outstanding short-term debt. None of such proceeds will be used by Alabama or any associate company thereof for the acquisition of an interest in an "exempt wholesale generator" or a "foreign utility company" as defined in Sections 32 and 33, respectively, of the Act.

It is considered that the record is now complete with respect to the issuance by Alabama Power Capital of the Trust Preferred Securities and the related issuance by Alabama of the Junior Subordinated Notes and the Guarantee as described herein. Accordingly, an order with respect to such transactions is hereby requested. It is hereby requested that jurisdiction be reserved with respect to the other transactions proposed in these proceedings."

ITEM 2. FEES, COMMISSIONS AND EXPENSES.

The estimated fees and expenses to be incurred by Alabama in connection herewith are as follows:

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Listing on New York Stock Exchange	44,300
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Services of Southern Company Services, Inc.	30,000
Fees and Expenses of counsel	125,000
Blue sky fees and expenses	2,500
Fees of accountants, Arthur Andersen LLP	25,000
Miscellaneous	4,750
TOTAL	$365,000

ITEM 3. APPLICABLE STATUTORY PROVISIONS.

Item 3 is hereby amended by adding the following thereto:

"Rule 54 Analysis. Under Rule 54, in determining whether to approve the issue or sale of a security by a registered holding company for purposes other than the acquisition of an "exempt wholesale generator" or "foreign utility company", or other transactions by such registered holding company or its subsidiaries other than with respect to "exempt wholesale generators" or "foreign utility companies," the Commission shall not consider the effect of the capitalization or earnings of any subsidiary which is an "exempt wholesale generator" or a "foreign utility company" upon the registered holding company system if the "safe harbor" conditions of Rule 53 are satisfied.

Southern currently meets all of the "safe ha-bor" conditions of Rule 53. Southern's "aggregate investment" in "exempt wholesale generators" and "foreign utility companies" at October 31, 1995 was approximately $1.250 billion, representing approximately 38.0% of Southern's "consolidated retained earnings," as defined in Rule 53(a)(1)(ii), for the four quarters

ended September 30, 1995 ($3.292 billion). Furthermore, Southern has and will continue to comply with the record keeping requirements of Rule 53(a)(2) concerning affiliated "exempt wholesale generators" and "foreign utility companies." In addition, as required by Rule 53(a)(3), no more than 2% of the employees of Southern's operating utility subsidiaries will, at any one time, directly or indirectly, render services to "exempt wholesale generators" and "foreign utility companies." Finally, since none of the circumstances described in Rule 53(b) exists, the provisions of Rule 53(a) are not made inapplicable by Rule 53(b)."

ITEM 6. EXHIBITS AND FINANCIAL STATEMENTS.

A. Exhibits:

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A-2 - Form of Amended and Restated Trust Agreement. (Designated in Form S-3 File No. 33-64125, as Exhibit 4(d).)

B-1 - Form of Subordinated Note Indenture between Alabama Power Company and Chemical Bank, as Trustee. (Designated in Form S-3 File No. 33-64125, as Exhibit 4(a).)

B-2 - Form of Supplemental Indenture to Subordinated Note Indenture between Alabama Power Company and Chemical Bank, as Trustee. (Designated in Form S-3 File No. 33-64125, as Exhibit 4(b).)

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C-1 - Registration Statement under the Securities Act of 1933. (Filed electronically November 9, 1995, File No. 33-64125.)

C-2 - Amendment No. 1 to Registration Statement under the Securities Act of 1933. (Filed electronically January 11, 1996, File No. 33-64125.)

F-1 - Opinion of Balch & Bingham, counsel for Alabama.

B. Financial Statements.

Balance sheet of Alabama at September 30, 1995. (Designated in Alabama's Form 10-Q for the quarter ended September 30, 1995, File No. 1-3164.)

Statements of Income of Georgia for the twelve months ended September 30, 1995. (Designated in Alabama's Form 10-Q for the quarter ended September 30, 1995, File No. 1-3164.)

SIGNATURES

Pursuant to the requirements of the Public Utility Holding Company Act of 1935, the undersigned companies have duly caused this amendment to be signed on their behalf by the undersigned thereunto duly authorized.

Date: January 16, 1996

ALABAMA POWER COMPANY

By: _____
Wayne Boston, Assistant Secretary

GEORGIA POWER COMPANY

By: _____
Wayne Boston, Assistant Secretary

GULF POWER COMPANY

By: _____
Wayne Boston, Assistant Secretary

MISSISSIPPI POWER COMPANY

By: _____
Wayne Boston, Assistant Secretary

SAVANNAH ELECTRIC AND POWER COMPANY

By: _____
Wayne Boston, Assistant Secretary

File No. 70-8461

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

AMENDMENT NO. 8
(Post-Effective No. 8)
TO
FORM U-1
APPLICATION OR DECLARATION
under
The Public Utility Holding Company Act of 1935

ALABAMA POWER COMPANY
600 North 18th Street
Birmingham, Alabama 35291

GULF POWER COMPANY
500 Bayfront Parkway
Pensacola, Florida 32501

GEORGIA POWER COMPANY
333 Piedmont Avenue, N.E.
Atlanta, Georgia 30308

MISSISSIPPI POWER COMPANY
2992 West Beach
Gulfport, Mississippi 39501

SAVANNAH ELECTRIC AND POWER COMPANY
600 East Bay Street
Savannah, Georgia 31401

(Name of company or companies filing this statement
and addresses of principal executive offices)

THE SOUTHERN COMPANY

(Name of top registered holding company parent of each
applicant or declarant)

Art P. Beattie, Vice President,
Secretary and Treasurer
Alabama Power Company
600 North 18th Street
Birmingham, Alabama 35291

Warren E. Tate, Secretary
and Treasurer
Gulf Power Company
500 Bayfront Parkway
Pensacola, Florida 32501

Judy M. Anderson, Vice President
and Corporate Secretary
Georgia Power Company
333 Piedmont Avenue, N.E.
Atlanta, Georgia 30308

Michael W. Southern, Vice
President, Secretary and Treasurer
Mississippi Power Company
2992 West Beach
Gulfport, Mississippi 39501

Kirby R. Willis, Vice President Treasurer
and Chief Financial Officer
Savannah Electric and Power Company
600 East Bay Street
Savannah, Georgia 31401

(Names and addresses of agents for service)

The Commission is requested to mail signed copies of all orders,
notices and communications to:

W. L. Westbrook
Financial Vice President
The Southern Company
270 Peachtree Street, NW
Atlanta, Georgia 30303

John D. McLanahan, Esq.
Troutman Sanders LLP
600 Peachtree Street, N.E.
Suite 5200
Atlanta, Georgia 30308-2216

ITEM 1. DESCRIPTION OF PROPOSED TRANSACTIONS.

The Application or Declaration, as previously amended in this proceeding, is hereby further amended by adding the following thereto:

"It is now proposed that the aggregate par or stated value or liquidation preference of Preferred Securities that may be issued by the respective Special Purpose Subsidiaries of the Operating Affiliates be increased to $250,000,000 in the case of Alabama; $500,000,000 in the case of Georgia; $60,000,000 in the case of Gulf; $60,000,000 in the case of Mississippi; and $35,000,000 in the case of Savannah. The foregoing amounts for Alabama and Georgia are in addition to amounts previously issued and sold pursuant to authorization in this proceeding. See HCAR Nos. 26187 (December 15,1994) and 26452 (January 17, 1996). It is further proposed that the authority hereunder be extended through December 31, 2001."

SIGNATURES

Pursuant to the requirements of the Public Utility Holding Company Act of 1935, the undersigned companies have duly caused this amendment to be signed on their behalf by the undersigned thereunto duly authorized.

Date: June 18, 1996

ALABAMA POWER COMPANY

By: _____
Wayne Boston, Assistant Secretary

GEORGIA POWER COMPANY

By: _____
Wayne Boston, Assistant Secretary

GULF POWER COMPANY

By: _____
Wayne Boston, Assistant Secretary

MISSISSIPPI POWER COMPANY

By: _____
Wayne Boston, Assistant Secretary

SAVANNAH ELECTRIC AND POWER COMPANY

By: _____
Wayne Boston, Assistant Secretary

File No. 70-8461

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

AMENDMENT NO. 9
(Post-Effective No. 6)
TO
FORM U-1
APPLICATION OR DECLARATION
under
The Public Utility Holding Company Act of 1935

ALABAMA POWER COMPANY
600 North 18th Street
Birmingham, Alabama 35291

GULF POWER COMPANY
500 Bayfront Parkway
Pensacola, Florida 32501

GEORGIA POWER COMPANY
333 Piedmont Avenue, N.E.
Atlanta, Georgia 30308

MISSISSIPPI POWER COMPANY
2992 West Beach
Gulfport, Mississippi 39501

SAVANNAH ELECTRIC AND POWER COMPANY
600 East Bay Street
Savannah, Georgia 31401

(Name of company or companies filing this statement and addresses of principal executive offices)

THE SOUTHERN COMPANY

(Name of top registered holding company parent of each applicant or declarant)

Art P. Beattie, Vice President,
Secretary and Treasurer
Alabama Power Company
600 North 18th Street
Birmingham, Alabama 35291

Warren E. Tate, Secretary
and Treasurer
Gulf Power Company
500 Bayfront Parkway
Pensacola, Florida 32501

Judy M. Anderson, Vice President
and Corporate Secretary
Georgia Power Company
333 Piedmont Avenue, N.E.
Atlanta, Georgia 30308

Michael W. Southern, Vice
President, Secretary and Treasurer
Mississippi Power Company
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Gulfport, Mississippi 39501

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and Chief Financial Officer
Savannah Electric and Power Company
600 East Bay Street
Savannah, Georgia 31401

(Names and addresses of agents for service)

The Commission is requested to mail signed copies of all orders, notices and communications to:

W. L. Westbrook
Financial Vice President
The Southern Company
270 Peachtree Street, NW
Atlanta, Georgia 30303

John D. McLanahan, Esq.
Troutman Sanders LLP
600 Peachtree Street, N.E.
Suite 5200
Atlanta, Georgia 30308-2216

ITEM 1. DESCRIPTION OF PROPOSED TRANSACTIONS.

Item 1 is hereby amended by adding thereto the following:

"Georgia proposes, in addition to a Special Purpose Subsidiary organized as either a limited liability company or a limited partnership, to organize its Special Purpose Subsidiaries as trusts, Georgia Power Capital Trust I, Georgia Power Capital Trust II and Georgia Power Capital Trust III (individually, a "Trust" and collectively, the "Trusts").

Each of the Trusts is a statutory business trust formed under Delaware law pursuant to the filing of its respective certificate of trust with the Delaware Secretary of State on June 14, 1996, each as amended by a certificate of amendment to its certificate of trust on July 23, 1996. Each Trust's business is defined in a separate trust agreement, each such trust agreement executed by Georgia, as Depositor, and the Delaware Trustee (the "Trustee") thereunder and filed as Exhibits A-1, A-2 and A-3 hereto. It is proposed that each trust agreement will be amended and restated in its entirety, substantially in the forms of Exhibits A-4, A-5 and A-6 hereto, on the date of the offering by such Trust (the "Trust Agreement"). Each of the Trusts exists for the exclusive purposes of (i) issuing its Trust Preferred Securities (as defined below) and its Trust Common Securities (as defined below)(the Trust Preferred Securities and the Trust Common Securities of each Trust being herein referred to as the "Trust Securities" of such Trust) which represent the undivided beneficial interests in the assets of such Trust, (ii) investing the gross proceeds of its Trust Securities in a series of Junior Subordinated Notes (as defined below) of Georgia and (iii) engaging in only those other activities necessary, appropriate, convenient or incidental thereto. The term of each of the Trusts will be set forth in the related Trust Agreement.

It is proposed that each of the Trusts will issue only one series of Trust Preferred Securities (the "Trust Preferred Securities"). The aggregate liquidation amount of the Trust

Preferred Securities issued by the Trusts hereunder will not exceed $400,000,000. The distribution rate to be borne by the Trust Preferred Securities of each of the Trusts will not exceed 12.5% per annum (expressed as a percentage of liquidation amount) and shall also be the distribution rate for the respective Trust Common Securities and the interest rate for the related Junior Subordinated Notes (the "Securities Rate"). It is proposed that each of the Trusts will issue its Trust Common Securities (the "Trust Common Securities"), registered in the name of Georgia, to Georgia. The Trust Common Securities of each Trust will represent approximately 3% undivided beneficial interests in the assets of the Trust. The proceeds realized by each of the Trusts from the sale of its Trust Preferred Securities, together with Georgia's payment to such Trust for its Trust Common Securities, will be loaned to Georgia, such loan to be evidenced by a related series of Georgia's Junior Subordinated Notes (the "Junior Subordinated Notes") equal in aggregate principal amount to the aggregate liquidation amount of such Trust's Trust Securities. It is proposed that the Junior Subordinated Notes will have maturities of up to 50 years and will not be convertible into any other securities or assets of Georgia or of any of the Trusts.

The holders of Trust Preferred Securities and Trust Common Securities of each of the Trusts will receive as distributions on payment dates their pro rata shares of payments received by such Trust on its Junior Subordinated Notes, except that, in the event of default by Georgia on such Junior Subordinated Notes, the payment entitlement of Georgia as holder of the Trust Common Securities of such Trust will be subordinated to the payment entitlement of the investors as holders of such Trust Preferred Securities. Each respective Trust Agreement will provide that holders of Trust Preferred Securities will have only the rights expressly granted to them by such Trust Agreement, including the right to receive

distributions and certain consensual rights expressly provided.

It is proposed that each of the Trusts will issue and sell its Trust Preferred Securities pursuant to a separate underwriting agreement among such Trust, Georgia and the underwriters thereunder. Pursuant to such underwriting agreement, the underwriters will purchase the Trust Preferred Securities from such Trust at an aggregate purchase price equal to the aggregate liquidation amount of such Trust Preferred Securities. In addition, in view of the fact that the proceeds of the sale of the Trust Preferred Securities will be loaned to Georgia, Georgia will agree to pay the underwriters' compensation for their services in an amount not exceeding 4% of the aggregate liquidation amount of such Trust Preferred Securities.

Cash distributions on the respective Trust Securities will be cumulative from the date of original issuance of such Trust Securities at the applicable Securities Rate and will be payable periodically in arrears as described in the related Trust Agreement. Such distributions in arrears for more than one such period will bear interest thereon at the Securities Rate. Each related series of Junior Subordinated Notes will similarly bear interest at the Securities Rate. Georgia will have the right from time to time to defer the payment of interest on such Junior Subordinated Notes for a period specified in the related Supplemental Indenture, at the end of each of which extension periods all accrued and unpaid interest (together with interest thereon at the Securities Rate) will be due and payable. As a consequence of any such extension of the interest payment period on the Junior Subordinated Notes, periodic distributions on the Trust Preferred Securities would be correspondingly deferred.

Georgia will guarantee (the "Guarantee") the following payments with respect to

the Trust Preferred Securities of each Trust to the extent not paid by the respective Trust:

(i) any accrued and unpaid distributions that are required to be paid on the Trust Preferred Securities but if and only if and to the extent such Trust shall have funds legally and immediately available therefor,

(ii) the redemption price, including all accrued and unpaid distributions to the date of redemption, with respect to any Trust Preferred Securities called for redemption by such Trust but if and only to the extent that such Trust has funds legally and immediately available therefor, and

(iii) upon a dissolution, winding-up or termination of such Trust (other than in connection with the distribution of Junior Subordinated Notes to the holders of its Trust Preferred Securities (as described below) or the redemption of all of the Trust Preferred Securities of such Trust), the lesser of (a) the aggregate of the liquidation amount and all accrued and unpaid distributions on its Trust Preferred Securities to the date of payment, to the extent such Trust has funds legally and immediately available therefor, and (b) the amount of assets of such Trust remaining available for distribution to holders of its Trust Preferred Securities in liquidation of such Trust.

Each issue of the Trust Securities is subject to mandatory redemption upon repayment of the related Junior Subordinated Notes at maturity or upon their earlier redemption. Each series of the Junior Subordinated Notes may be redeemed, in whole or in

part, at the option of Georgia at any time on or after the date set forth in the related Supplemental Indenture. In addition, upon the occurrence of certain special events arising from a change in law or a change in legal interpretation or other specified circumstances relating to tax matters and the Investment Company Act of 1940, as amended, Georgia shall have the option to redeem the Junior Subordinated Notes (and thus cause the redemption of the Trust Securities). Georgia will also have the right at any time to terminate a Trust and cause the related Junior Subordinated Notes to be distributed to the holders of the Trust Preferred Securities of such Trust in liquidation thereof.

It is contemplated that, for Federal income tax purposes, each of the Trusts will be treated as a passive grantor trust and not as a partnership. Accordingly, as in the case of a limited liability company or limited partnership Special Purpose Subsidiary, none of the Trusts will be subject to tax and Georgia and investors holding Trust Preferred Securities will be treated as the owners of the respective Trust and will be required to include in income their proportionate shares of the income of such Trust. However, the information reporting procedure for the Trusts would differ from the procedures used when the Special Purpose Subsidiary is a limited liability company or a limited partnership. Investors would receive tax reporting information from their brokers on an IRS Form 1099, rather than the Schedule K-1.

It is anticipated that each of the Trusts will be exempt from status as an "investment company" under the Investment Company Act of 1940, as amended, in reliance on the finance subsidiary rule (Rule 3a-5).

The proceeds from the sale of its Trust Preferred Securities will be loaned by each of the Trusts to Georgia, such loan to be evidenced by the respective Junior

Subordinated Notes and ultimately will be used by Georgia for general corporate purposes, including repayment of outstanding short-term debt. None of such proceeds will be used by Georgia or any associate company thereof for the acquisition of an interest in an "exempt wholesale generator" or a "foreign utility company" as defined in Sections 32 and 33, respectively, of the Act.

It is considered that the record is now complete with respect to the issuance by each of the Trusts of its Trust Preferred Securities and the related issuance by Georgia of the re...ted series of Junior Subordinated Notes and the Guarantees as described herein. Accordingly, an order with respect to such transactions is hereby requested. It is hereby requested that jurisdiction be reserved with respect to the other transactions proposed in these proceedings."

ITEM 2. FEES, COMMISSIONS AND EXPENSES.

The estimated fees and expenses to be incurred by Georgia in connection herewith are as follows:

	Initial Issuance	Each Additional Issuance
Filing fees - Securities and Exchange Commission	$ 137,922	-
Fees and Expenses of Trustees	9,500	9,500
Listing on New York Stock Exchange	86,200	-
Printing charges	30,000	10,000
Rating Agency Fees	107,000	65,000
Services of Southern Company Services, Inc.	30,000	15,000
Fees and Expenses of counsel	40,000	25,000
Blue sky fees and expenses	3,500	3,500
Fees of accountants, Arthur Andersen LLP	42,000	24,000
Miscellaneous	14,000	8,000
TOTAL	$ 500,222	$ 160,000

ITEM 3. APPLICABLE STATUTORY PROVISIONS.

Item 3 is hereby amended by adding thereto the following:

"Rule 54 Analysis: The proposed transaction is also subject to Rule 54, which provides that, in determining whether to approve an application which does not relate to any "exempt wholesale generator" ("EWG") or "foreign utility company" ("FUCO"), the Commission shall not consider the effect of the capitalization or earnings of any such EWG or FUCO which is a subsidiary of a registered holding company if the requirements of Rule 53(a), (b) and (c) are satisfied.

The Southern Company ("Southern") currently meets all of the conditions of Rule 53(a). At July 31, 1996, Southern's "aggregate investment," as defined in Rule 53(a)(1), in EWGs and FUCOs was approximately $864,800,000, or about 24.6% of Southern's "consolidated retained earnings," also as defined in Rule 53(a)(1), for the four quarters ended June 30, 1996 ($3,523.2 million). In addition, Southern has complied and will continue to comply with the record-keeping requirements of Rule 53(a)(2), the limitation under Rule 53(a)(3) on the use of Operating Company personnel to render services to EWGs and FUCOs, and the requirements of Rule 53(a)(4) concerning the submission of copies of certain filings under the Act to retail rate regulatory commissions. Accordingly, since the requirements of Rule 53(a) are currently met and none of the circumstances described in Rule 53(b) has occurred, the provisions of Rule 53(c) are currently inapplicable.

Moreover, even if the effect of the capitalization and earnings of EWGs and FUCOs in which Southern has an ownership interest upon the Southern holding company system were considered, there is no basis for the Commission to withhold or deny approval for the proposal made in this Application-Declaration. The action requested in the instant

filing (viz. approval for certain financing transactions by Georgia) would not, by itself, or even considered in conjunction with the effect of the capitalization and earnings of Southern's EWGs and FUCOs, have a material adverse effect on the financial integrity of the Southern system, or an adverse impact on Southern's public-utility subsidiaries, their customers, or the ability of State commissions to protect such public-utility customers."

ITEM 6. EXHIBITS AND FINANCIAL STATEMENTS.

A. Exhibits:

A-1 - Trust Agreement of Georgia Power Capital Trust I. (Designated in Form S-3 File Nos. 333-06037, 333-06037-01, 333-06037-02, and 333-06037-03, as Exhibit 4.4-A.)

A-2 - Trust Agreement of Georgia Power Capital Trust II. (Designated in Form S-3 File Nos. 333-06037, 333-06037-01, 333-06037-02, and 333-06037-03, as Exhibit 4.4-B.)

A-3 - Trust Agreement of Georgia Power Capital Trust III. (Designated in Form S-3 File Nos. 333-06037, 333-06037-01, 333-06037-02, and 333-06037-03, as Exhibit 4.4-C.)

A-4 - Form of Amended and Restated Trust Agreement for Georgia Power Capital Trust I. (Designated in Form S-3 File Nos. 333-06037, 333-06037-01, 333-06037-02, and 333-06037-03, as Exhibit 4.5-A.)

A-5 - Form of Amended and Restated Trust Agreement for Georgia Power Capital Trust II. (Designated in Form S-3 File Nos. 333-06037, 333-06037-01, 333-06037-02, and 333-06037-03, as Exhibit 4.5-B.)

A-6 - Form of Amended and Restated Trust Agreement for Georgia Power Capital Trust III. (Designated in Form S-3 File Nos. 333-06037, 333-06037-01, 333-06037-02, and 333-06037-03, as Exhibit 4.5-C.)

B-1 - Form of Subordinated Note Indenture between Georgia Power Company and The Chase Manhattan Bank, as Trustee. (Designated in Form S-3 File Nos. 333-06037, 333-06037-01, 333-06037-02, and 333-06037-03, as Exhibit 4.1.)

B-2 - Form of Supplemental Indenture to Subordinated Note Indenture between Georgia Power Company and The Chase Manhattan Bank, as Trustee. (Designated in Form S-3 File Nos. 333-06037, 333-06037-01, 333-06037-02, and 333-06037-03, as Exhibit 4.2.)

B-3 - Forms of Guarantee with respect to Preferred Securities of Georgia Power Capital Trust I, Georgia Power Capital Trust II and Georgia Power Capital Trust III. (Designated in Form S-3 File Nos. 333-06037, 333-06037-01, 333-06037-02, and 333-06037-03, as Exhibits 4.8-A, 4.8-B and 4.8-C.)

C-1 - Registration Statement under the Securities Act of 1933. (Filed electronically June 14, 1996, File Nos. 333-06037, 333-06037-01, 333-06037-02, and 333-06037-03.)

C-2 - Amendment No. 1 to Registration Statement under the Securities Act of 1933. (Filed electronically August 16, 1996, File Nos. 333-06037, 333-06037-01, 333-06037-02, and 333-06037-03.)

B. Financial Statements.

Balance sheet of Georgia at June 30, 1996. (Designated in Georgia's Fo m 10-Q for the quarter ended June 30, 1996, File No. 1-6468.)

Statements of Income of Georgia for the periods ended June 30, 1996. (Designated in Georgia's Form 10-Q for the quarter ended June 30, 1996, File No. 1-6468.)

SIGNATURES

Pursuant to the requirements of the Public Utility Holding Company Act of 1935, the undersigned companies have duly caused this amendment to be signed on their behalf by the undersigned thereunto duly authorized.

Date: August 23, 1996

ALABAMA POWER COMPANY

By: _____
Wayne Boston, Assistant Secretary

GEORGIA POWER COMPANY

By: _____
Wayne Boston, Assistant Secretary

GULF POWER COMPANY

By: _____
Wayne Boston, Assistant Secretary

MISSISSIPPI POWER COMPANY

By: _____
Wayne Boston, Assistant Secretary

[Signatures continued on next page]

SAVANNAH ELECTRIC AND POWER COMPANY

By: _____
Wayne Boston, Assistant Secretary

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

AMENDMENT NO 10
(Post-Effective No 7)
TO
FORM U-1
APPLICATION OR DECLARATION
under
The Public Utility Holding Company Act of 1935

ALABAMA POWER COMPANY
600 North 18th Street
Birmingham, Alabama 35291

GULF POWER COMPANY
500 Bayfront Parkway
Pensacola, Florida 32501

GEORGIA POWER COMPANY
333 Piedmont Avenue, N.E.
Atlanta, Georgia 30308

MISSISSIPPI POWER COMPANY
2992 West Beach
Gulfport, Mississippi 39501

SAVANNAH ELECTRIC AND POWER COMPANY
600 East Bay Street
Savannah, Georgia 31401

(Name of company or companies filing this statement and address of principal executive offices)

THE SOUTHERN COMPANY

(Name of top registered holding company parent of each applicant or declarant)

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Secretary and Treasurer
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(Names and addresses of agents for service)

The Commission is requested to mail signed copies of all orders, notices and communications to:

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Financial Vice President
The Southern Company
270 Peachtree Street, NW
Atlanta, Georgia 30303

John D. McLanahan, Esq.
Troutman Sanders LLP
600 Peachtree Street, N.E.
Suite 5200
Atlanta, Georgia 30308-2216

ITEM 1. DESCRIPTION OF PROPOSED TRANSACTIONS

Item 1 is hereby amended by adding thereto the following

"Alabama proposes, in addition to a Special Purpose Subsidiary organized as either a limited liability company or a limited partnership, to organize its Special Purpose Subsidiaries as trusts, Alabama Power Capital Trust II, Alabama Power Capital Trust III and Alabama Power Capital Trust IV (individually, a "Trust" and collectively, the "Trusts")

Each of the Trusts is a statutory business trust formed under Delaware law pursuant to the filing of its respective certificate of trust with the Delaware Secretary of State on Novemoer 27, 1996. Each Trust's business is defined in a separate trust agreement, each such trust agreement executed by Alabama, as Depositor, and the Delaware Trustee (the "Trustee") thereunder and filed as Exhibits A-1, A-2 and A-3 hereto It is proposed that each trust agreement will be amended and restated in its entirety, substantially in the forms of Exhibits A-4, A-5 and A-6 hereto, on the date of the offering by such Trust (the "Trust Agreement") Each of the Trusts exists for the exclusive purposes of (i) issuing its Trust Preferred Securities (as defined below) and its Trust Common Securities (as defined below)(the Trust Preferred Securities and the Trust Common Securities of each Trust being herein referred to as the "Trust Securities" of such Trust) which represent the undivided beneficial interests in the assets of such Trust, (ii) investing the gross proceeds of its Trust Securities in a series of Junior Subordinated Notes (as defined below) of Alabama and (iii) engaging in only those other activities necessary, appropriate, convenient or incidental thereto. The term of each of the Trusts will be set forth in the related Trust Agreement.

It is proposed that each of the Trusts will issue only one series of Trust Preferred Securities (the "Trust Preferred Securities"). The aggregate liquidation amount of the Trust

Preferred Securities issued by the Trusts hereunder will not exceed $250,000,000 The distribution rate to be borne by the Trust Preferred Securities of each of the Trusts will not exceed 12 5% per annum (expressed as a percentage of liquidation amount) and shall also be the distribution rate for the respective Trust Common Securities and the interest rate for the related Junior Subordinated Notes (the "Securities Rate") It is proposed that each of the Trusts will issue its Trust Common Securities (the "Trust Common Securities"), registered in the name of Alabama, to Alabama. The Trust Common Securities of each Trust will represent approximately 3% undivided beneficial interests in the assets of the Trust The proceeds realized by each of the Trusts from the sale of its Trust Preferred Securities, together with Alabama's payment to such Trust for its Trust Common Securities, will be loaned to Alabama, such loan to be evidenced by a related series of Alabama's Junior Subordinated Notes (the "Junior Subordinated Notes") equal in aggregate principal amount to the aggregate liquidation amount of such Trust's Trust Securities. It is proposed that the Junior Subordinated Notes will have maturities of up to 50 years and will not be convertible into any other securities or assets of Alabama or of any of the Trusts

The holders of Trust Preferred Securities and Trust Common Securities of each of the Trusts will receive as distributions on payment dates their pro rata shares of payments received by such Trust on its Junior Subordinated Notes, except that, in the event of default by Alabama on such Junior Subordinated Notes, the payment entitlement of Alabama as holder of the Trust Common Securities of such Trust will be subordinated to the payment entitlement of the investors as holders of such Trust Preferred Securities. Each respective Trust Agreement will provide that holders of Trust Preferred Securities will have only the rights expressly granted to them by such

Trust Agreement, including the right to receive distributions and certain consensual rights expressly provided

It is proposed that each of the Trusts will issue and sell its Trust Preferred Securities pursuant to a separate underwriting agreement among such Trust, Alabama and the underwriters thereunder. Pursuant to such underwriting agreement, the underwriters will purchase the Trust Preferred Securities from such Trust at an aggregate purchase price equal to the aggregate liquidation amount of such Trust Preferred Securities. In addition, in view of the fact that the proceeds of the sale of the Trust Preferred Securities will be loaned to Alabama, Alabama will agree to pay the underwriters' compensation for their services in an amount not exceeding 4% of the aggregate liquidation amount of such Trust Preferred Securities.

Cash distributions on the respective Trust Securities will be cumulative from the date of original issuance of such Trust Securities at the applicable Securities Rate and will be payable periodically in arrears as described in the related Trust Agreement Such distributions in arrears for more than one such period will bear interest thereon at the Securities Rate Each related series of Junior Subordinated Notes will similarly bear interest at the Securities Rate Alabama will have the right from time to time to defer the payment of interest on such Junior Subordinated Notes for a period specified in the related Supplemental Indenture, at the end of each of which extension periods all accrued and unpaid interest (together with interest thereon at the Securities Rate) will be due and payable. As a consequence of any such extension of the interest payment period on the Junior Subordinated Notes, periodic distributions on the Trust Preferred Securities would be correspondingly deferred.

Alabama will guarantee (the "Guarantee") the following payments with respect to the Trust Preferred Securities of each Trust to the extent not paid by the respective Trust

(i) any accrued and unpaid distributions that are required to be paid on the Trust Preferred Securities but if and only if and to the extent such Trust shall have funds legally and immediately available therefor,

(ii) the redemption price, including all accrued and unpaid distributions to the date of redemption, with respect to any Trust Preferred Securities called for redemption by such Trust but if and only to the extent that such Trust has funds legally and immediately available therefor, and

(iii) upon a dissolution, winding-up or termination of such Trust (other than in connection with the distribution of Junior Subordinated Notes to the holders of its Trust Preferred Securities (as described below) or the redemption of all of the Trust Preferred Securities of such Trust), the lesser of (a) the aggregate of the liquidation amount and all accrued and unpaid distributions on its Trust Preferred Securities to the date of payment, to the extent such Trust has funds legally and immediately available therefor, and (b) the amount of assets of such Trust remaining available for distribution to holders of its Trust Preferred Securities in liquidation of such Trust.

Each issue of the Trust Securities is subject to mandatory redemption upon repayment of the related Junior Subordinated Notes at maturity or upon their earlier redemption. Each series

of the Junior Subordinated Notes may be redeemed, in whole or in part, at the option of Alabama at any time on or after the date set forth in the related Supplemental Indenture. In addition, upon the occurrence of certain special events arising from a change in law or a change in legal interpretation or other specified circumstances relating to tax matters and the Investment Company Act of 1940, as amended, Alabama shall have the option to redeem the Junior Subordinated Notes (and thus cause the redemption of the Trust Securities). Alabama will also have the right at any time to terminate a Trust and cause the related Junior Subordinated Notes to be distributed to the holders of the Trust Preferred Securities of such Trust in liquidation thereof.

It is contemplated that, for Federal income tax purposes, each of the Trusts will be treated as a passive grantor trust and not as a partnership. Accordingly, as in the case of a limited liability company or limited partnership Special Purpose Subsidiary, none of the Trusts will be subject to tax and Alabama and investors holding Trust Preferred Securities will be treated as the owners of the respective Trust and will be required to include in income their proportionate shares of the income of such Trust. However, the information reporting procedure for the Trusts would differ from the procedures used when the Special Purpose Subsidiary is a limited liability company or a limited partnership. Investors would receive tax reporting information from their brokers on an IRS Form 1099, rather than the Schedule K-1.

It is anticipated that each of the Trusts will be exempt from status as an "investment company" under the Investment Company Act of 1940, as amended, in reliance on the finance subsidiary rule (Rule 3a-5).

The proceeds from the sale of its Trust Preferred Securities will be loaned by each of the Trusts to Alabama, such loan to be evidenced by the respective Junior Subordinated Notes

and ultimately will be used by Alabama in connection with its ongoing construction program, to pay scheduled maturities and/or refundings of its securities, to repay short-term indebtedness to the extent outstanding and for other general corporate purposes None of such proceeds will be used by Alabama or any associate company thereof for the acquisition of an interest in an "exempt wholesale generator" or a "foreign utility company" as defined in Sections 32 and 33, respectively, of the Act.

It is considered that the record is now complete with respect to the issuance by each of the Trusts of its Trust Preferred Securities and the related issuance by Alabama of the related series of Junior Subordinated Notes and the Guarantees as described herein Accordingly, an order with respect to such transactions is hereby requested It is hereby requested that jurisdiction be reserved with respect to the other transactions proposed in these proceedings "

ITEM 2. FEES, COMMISSIONS AND EXPENSES

The estimated fees and expenses to be incurred by Alabama in connection herewith are as follows:

	Initial Issuance	Each Additional Issuance
Filing fees - Securities and Exchange Commission	$ 121,213	–
Fees and Expenses of Trustees	9,500	9,500
Listing on New York Stock Exchange	86,300	–
Printing charges	30,000	10,000
Rating Agency Fees	107,000	65,000
Services of Southern Company Services, Inc.	30,000	15,000
Fees and Expenses of counsel	90,000	55,000
Blue sky fees and expenses	3,500	3,500
Fees of accountants, Arthur Andersen LLP	42,000	25,000
Miscellaneous	15,487	7,000
TOTAL	$ 515,000	$ 190,000

ITEM 3. APPLICABLE STATUTORY PROVISIONS

Item 3 is hereby amended by adding thereto the following

"Rule 54 Analysis The proposed transaction is also subject to Rule 54, which provides that, in determining whether to approve an application which does not relate to any "exempt wholesale generator" ("EWG") or "foreign utility company" ("FUCO"), the Commission shall not consider the effect of the capitalization or earnings of any such EWG or FUCO which is a subsidiary of a registered holding company if the requirements of Rule 53(a), (b) and (c) are satisfied.

The Southern Company ("Southern") currently meets all of the conditions of Rule 53(a). At December 31, 1996, Southern's "aggregate investment," as defined in Rule 53(a)(1), in EWGs and FUCOs was approximately $922,341,743, or about 25.61% of Southern's "consolidated retained earnings," also as defined in Rule 53(a)(1), for the four quarters ended September 30, 1996 ($3,601 million). In addition, Southern has complied and will continue to comply with the record-keeping requirements of Rule 53(a)(2), the limitation under Rule 53(a)(3) on the use of Operating Company personnel to render services to EWGs and FUCOs, and the requirements of Rule 53(a)(4) concerning the submission of copies of certain filings under the Act to retail rate regulatory commissions. Accordingly, since the requirements of Rule 53(a) are currently met and none of the circumstances described in Rule 53(b) has occurred, the provisions of Rule 53(c) are currently inapplicable.

Moreover, even if the effect of the capitalization and earnings of EWGs and FUCOs in which Southern has an ownership interest upon the Southern holding company system were considered, there is no basis for the Commission to withhold or deny approval for the proposal

made in this Application-Declaration The action requested in the instant filing (*viz.* approval for certain financing transactions by Alabama) would not, by itself, or even considered in conjunction with the effect of the capitalization and earnings of Southern's EWGs and FUCOs, have a material adverse effect on the financial integrity of the Southern system, or an adverse impact on Southern's public-utility subsidiaries, their customers, or the ability of State commissions to protect such public-utility customers "

ITEM 6. EXHIBITS AND FINANCIAL STATEMENTS.

A. Exhibits:

A-1 - Trust Agreement of Alabama Power Capital Trust II (Designated in Form S-3 File Nos 333-17333, 333-17333-01, 333-17333-02, and 333-17333-03, as Exhibit 4 4-A)

A-2 - Trust Agreement of Alabama Power Capital Trust III (Designated in Form S-3 File Nos 333-17333, 333-17333-01, 333-17333-02, and 333-17333-03, as Exhibit 4 4-B.)

A-3 - Trust Agreement of Alabama Power Capital Trust IV (Designated in Form S-3 File Nos 333-17333, 333-17333-01, 333-17333-02, and 333-17333-03, as Exhibit 4 4-C)

A-4 - Form of Amended and Restated Trust Agreement for Alabama Power Capital Trust II. (Designated in Form S-3 File Nos 333-17333, 333-17333-01, 333-17333-02, and 333-17333-03, as Exhibit 4 5-A)

A-5 - Form of Amended and Restated Trust Agreement for Alabama Power Capital Trust III. (Designated in Form S-3 File Nos. 333-17333, 333-17333-01, 333-17333-02, and 333-17333-03, as Exhibit 4.5-B.)

A-6 - Form of Amended and Restated Trust Agreement for Alabama Power Capital Trust IV (Designated in Form S-3 File Nos. 333-17333, 333-17333-01, 333-17333-02, and 333-17333-03, as Exhibit 4 5-C)

B-1 - Form of Subordinated Note Indenrure between Alabama Power Company and The Chase Manhattan Bank, as Trustee. (Designated in Form S-3 File Nos. 333-17333, 333-17333-01, 333-17333-02, and 333-17333-03, as Exhibit 4.1.)

B-2 - Form of Supplemental Indenture to Subordinated Note Indenture between Alabama Power Company and The Chase Manhattan Bank, as Trustee. (Designated in Form S-3 File Nos 333-17333, 333-17333-01, 333-17333-02, and 333-17333-03, as Exhibit 4 2)

B-3 - Forms of Guarantee with respect to Preferred Securities of Alabama Power Capital Trust II, Alabama Power Capital Trust III and Alabama Power Capital Trust IV (Designated in Form S-3 File Nos. 333-17333, 333-17333-01, 333-17333-02, and 333-17333-03, as Exhibits 4 8-A, 4 8-B and 4.8-C.)

C-1 - Registration Statement under the Securities Act of 1933 (Filed electronically December 5, 1996, File Nos 333-17333, 333-17333-01, 333-17333-02, and 333-17333-03)

B Financial Statements.

Balance sheet of Alabama at September 30, 1996 (Designated in Alabama's Form 10-Q for the quarter ended September 30, 1996, File No 1-3164)

Statements of Income of Alabama for the periods ended September 30, 1996 (Designated in Alabama s Form 10-Q for the quarter ended September 30, 1996, File No. 1-3164.)

SIGNATURES

Pursuant to the requirements of the Public Utility Holding Company Act of 1935, the undersigned companies have duly caused this amendment to be signed on their behalf by the undersigned thereunto duly authorized

Date: January 10, 1997

ALABAMA POWER COMPANY

By: _____
Wayne Boston, Assistant Secretary

GEORGIA POWER COMPANY

By: _____
Wayne Boston, Assistant Secretary

GULF POWER COMPANY

By: _____
Wayne Boston, Assistant Secretary

MISSISSIPPI POWER COMPANY

By: _____
Wayne Boston, Assistant Secretary

[Signatures continued on next page]

SAVANNAH ELECTRIC AND POWER COMPANY

By: _____
Wayne Boston, Assistant Secretary

File No. 70-8461

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

AMENDMENT NO. 11
(Post-Effective No. 8)
TO
FORM U-1
APPLICATION OR DECLARATION
under
The Public Utility Holding Company Act of 1935

ALABAMA POWER COMPANY
600 North 18th Street
Birmingham, Alabama 35291

GULF POWER COMPANY
500 Bayfront Parkway
Pensacola, Florida 32501

GEORGIA POWER COMPANY
333 Piedmont Avenue, N.E.
Atlanta, Georgia 30308

MISSISSIPPI POWER COMPANY
2992 West Beach
Gulfport, Mississippi 39501

SAVANNAH ELECTRIC AND POWER COMPANY
600 East Bay Street
Savannah, Georgia 31401

(Name of company or companies filing this statement and addresses of principal executive offices)

THE SOUTHERN COMPANY

(Name of top registered holding company parent of each applicant or declarant)

Art P. Beattie, Vice President,
Secretary and Treasurer
Alabama Power Company
600 North 18th Street
Birmingham, Alabama 35291

Warren E. Tate, Secretary
and Treasurer
Gulf Power Company
500 Bayfront Parkway
Pensacola, Florida 32501

Judy M. Anderson, Vice President
and Corporate Secretary
Georgia Power Company
333 Piedmont Avenue, N.E.
Atlanta, Georgia 30308

Michael W. Southern, Vice
President, Secretary and Treasurer
Mississippi Power Company
2992 West Beach
Gulfport, Mississippi 39501

Kirby R. Wills, Vice President, Treasurer
and Chief Financial Officer
Savannah Electric and Power Company
600 East Bay Street
Savannah, Georgia 31401

(Names and addresses of agents for service)

The Commission is requested to mail signed copies of all orders, notices and communications to:

W. L. Westbrook
Financial Vice President
The Southern Company
270 Peachtree Street, NW
Atlanta, Georgia 30303

John D. McLanahan, Esq.
Troutman Sanders LLP
600 Peachtree Street, N.E.
Suite 5200
Atlanta, Georgia 30308-2216

ITEM 1. DESCRIPTION OF PROPOSED TRANSACTIONS.

Item 1 is hereby amended by adding thereto the following:

"Gulf proposes, in addition to a Special Purpose Subsidiary organized as either a limited liability company or a limited partnership, to organize its Special Purpose Subsidiaries as trusts, Gulf Power Capital Trust I and Gulf Power Capital Trust II (individually, a "Trust" and collectively, the "Trusts").

Each of the Trusts is a statutory business trust formed under Delaware law pursuant to the filing of its respective certificate of trust with the Delaware Secretary of State on December 26, 1996. Each Trust's business is defined in a separate trust agreement, each such trust agreement executed by Gulf, as Depositor, and the Delaware Trustee (the "Trustee") thereunder and filed as Exhibits A-1 and A-2 hereto. It is proposed that each trust agreement will be amended and restated in its entirety, substantially in the forms of Exhibits A-3 and A-4 hereto, on the date of the offering by such Trust (the "Trust Agreement"). Each of the Trusts exists for the exclusive purposes of (i) issuing its Trust Preferred Securities (as defined below) and its Trust Common Securities (as defined below)(the Trust Preferred Securities and the Trust Common Securities of each Trust being herein referred to as the "Trust Securities" of such Trust) which represent the undivided beneficial interests in the assets of such Trust, (ii) investing the gross proceeds of its Trust Securities in a series of Junior Subordinated Notes (as defined below) of Gulf and (iii) engaging in only those other activities necessary, appropriate, convenient or incidental thereto. The term of each of the Trusts will be set forth in the related Trust Agreement.

It is proposed that each of the Trusts will issue only one series of Trust Preferred Securities (the "Trust Preferred Securities"). The aggregate liquidation amount of the Trust Preferred Securities issued by the Trusts hereunder will not exceed $60,000,000. The distribution rate to be borne by the Trust Preferred Securities of each of the Trusts will not exceed 12.5% per annum (expressed as a percentage of liquidation amount) and shall also be the distribution rate for the respective Trust Common Securities and the interest rate for the related Junior Subordinated Notes (the "Securities Rate"). It is proposed that each of the Trusts will issue its Trust Common Securities (the "Trust Common Securities"), registered in the name of Gulf, to Gulf. The Trust Common Securities of each Trust will represent approximately 3% undivided beneficial interests in the assets of the Trust. The proceeds realized by each of the Trusts from the sale of its Trust Preferred Securities, together with Gulf's payment to such Trust for its Trust Common Securities, will be loaned to Gulf, such loan to be evidenced by a related series of Gulf's Junior Subordinated Notes (the "Junior Subordinated Notes") equal in aggregate principal amount to the aggregate liquidation amount of such Trust's Trust Securities. It is proposed that the Junior Subordinated Notes will have maturities of up to 50 years and will not be convertible into any other securities or assets of Gulf or of any of the Trusts.

The holders of Trust Preferred Securities and Trust Common Securities of each of the Trusts will receive as distributions on payment dates their pro rata shares of payments received by such Trust on its Junior Subordinated Notes, except that, in the event of default by Gulf on such Junior Subordinated Notes, the payment

entitlement of Gulf as holder of the Trust Common Securities of such Trust will be subordinated to the payment entitlement of the investors as holders of such Trust Preferred Securities. Each respective Trust Agreement will provide that holders of Trust Preferred Securities will have only the rights expressly granted to them by such Trust Agreement, including the right to receive distributions and certain consensual rights expressly provided.

It is proposed that each of the Trusts will issue and sell its Trust Preferred Securities pursuant to a separate underwriting agreement among such Trust, Gulf and the underwriters thereunder. Pursuant to such underwriting agreement, the underwriters will purchase the Trust Preferred Securities from such Trust at an aggregate purchase price equal to the aggregate liquidation amount of such Trust Preferred Securities. In addition, in view of the fact that the proceeds of the sale of the Trust Preferred Securities will be loaned to Gulf, Gulf will agree to pay the underwriters' compensation for their services in an amount not exceeding 4% of the aggregate liquidation amount of such Trust Preferred Securities.

Cash distributions on the respective Trust Securities will be cumulative from the date of original issuance of such Trust Securities at the applicable Securities Rate and will be payable periodically in arrears as described in the related Trust Agreement. Such distributions in arrears for more than one such period will bear interest thereon at the Securities Rate. Each related series of Junior Subordinated Notes will similarly bear interest at the Securities Rate. Gulf will have the right from time to time to defer the payment of interest on such Junior Subordinated Notes for a period specified in the

related Supplemental Indenture, at the end of each of which extension periods all accrued and unpaid interest (together with interest thereon at the Securities Rate) will be due and payable. As a consequence of any such extension of the interest payment period on the Junior Subordinated Notes, periodic distributions on the Trust Preferred Securities would be correspondingly deferred.

Gulf will guarantee (the "Guarantee") the following payments with respect to the Trust Preferred Securities of each Trust to the extent not paid by the respective Trust:

(i) any accrued and unpaid distributions that are required to be paid on the Trust Preferred Securities but if and only if and to the extent such Trust shall have funds legally and immediately available therefor,

(ii) the redemption price, including all accrued and unpaid distributions to the date of redemption, with respect to any Trust Preferred Securities called for redemption by such Trust but if and only to the extent that such Trust has funds legally and immediately available therefor, and

(iii) upon a dissolution, winding-up or termination of such Trust (other than in connection with the distribution of Junior Subordinated Notes to the holders of its Trust Preferred Securities (as described below) or the redemption of all of the Trust Preferred Securities of such Trust), the lesser of (a) the

aggregate of the liquidation amount and all accrued and unpaid distributions on its Trust Preferred Securities to the date of payment, to the extent such Trust has funds legally and immediately available therefor, and (b) the amount of assets of such Trust remaining available for distribution to holders of its Trust Preferred Securities in liquidation of such Trust.

Each issue of the Trust Securities is subject to mandatory redemption upon repayment of the related Junior Subordinated Notes at maturity or upon their earlier redemption. Each series of the Junior Subordinated Notes may be redeemed, in whole or in part, at the option of Gulf at any time on or after the date set forth in the related Supplemental Indenture. In addition, upon the occurrence of certain special events arising from a change in law or a change in legal interpretation or other specified circumstances relating to tax matters and the Investment Company Act of 1940, as amended, Gulf shall have the option to redeem the Junior Subordinated Notes (and thus cause the redemption of the Trust Securities). Gulf will also have the right at any time to terminate a Trust and cause the related Junior Subordinated Notes to be distributed to the holders of the Trust Preferred Securities of such Trust in liquidation thereof.

It is contemplated that, for Federal income tax purposes, each of the Trusts will be treated as a passive grantor trust and not as a partnership. Accordingly, as in the case of a limited liability company or limited partnership Special Purpose Subsidiary, none of the Trusts will be subject to tax and Gulf and investors holding

Trust Preferred Securities will be treated as the owners of the respective Trust and will be required to include in income their proportionate shares of the income of such Trust. However, the information reporting procedure for the Trusts would differ from the procedures used when the Special Purpose Subsidiary is a limited liability company or a limited partnership. Investors would receive tax reporting information from their brokers on an IRS Form 1099, rather than the Schedule K-1.

It is anticipated that each of the Trusts will be exempt from status as an "investment company" under the Investment Company Act of 1940, as amended, in reliance on the finance subsidiary rule (Rule 3a-5).

The proceeds from the sale of its Trust Preferred Securities will be loaned by each of the Trusts to Gulf, such loan to be evidenced by the respective Junior Subordinated Notes and ultimately will be used by Gulf in connection with its ongoing construction program, to pay scheduled maturities and/or refundings of its securities, to repay short-term indebtedness to the extent outstanding and for other general corporate purposes. None of such proceeds will be used by Gulf or any associate company thereof for the acquisition of an interest in an "exempt wholesale generator" or a "foreign utility company" as defined in Sections 32 and 33, respectively, of the Act.

It is considered that the record is now complete with respect to the issuance by each of the Trusts of its Trust Preferred Securities and the related issuance by Gulf of the related series of Junior Subordinated Notes and the Guarantees as described herein. Accordingly, an order with respect to such transactions is hereby requested. It

is hereby requested that jurisdiction be reserved with respect to the other transactions proposed in these proceedings."

ITEM 2. FEES, COMMISSIONS AND EXPENSES.

The estimated fees and expenses to be incurred by Gulf in connection herewith are as follows:

	Initial Issuance	Each Additional Issuance
Florida Documentary Stamp Tax	$210,000	--
Florida intangible personal property tax	9,000	--
Filing fees - Securities and Exchange Commission	18,182	--
Fees and Expenses of Trustees	9,500	9,500
Listing on New York Stock Exchange	30,900	--
Printing charges	40,000	10,000
Rating Agency Fees	36,100	20,000
Services of Southern Company Services, Inc.	40,000	10,000
Fees and Expenses of counsel	65,000	35,000
Blue sky fees and expenses	3,500	3,500
Fees of accountants, Arthur Andersen LLP	35,000	25,000
Miscellaneous	12,818	12,000
Total	$510,000	$125,000

ITEM 3. APPLICABLE STATUTORY PROVISIONS.

Item 3 is hereby amended by adding thereto the following:

"Rule 54 Analysis: The proposed transaction is also subject to Rule 54, which provides that, in determining whether to approve an application which does not relate to any "exempt wholesale generator" ("EWG") or "foreign utility company" ("FUCO"), the Commission shall not consider the effect of the capitalization or earnings of any such EWG or FUCO which is a subsidiary of a registered holding company if the requirements of Rule 53(a), (b) and (c) are satisfied.

The Southern Company ("Southern") currently meets all of the conditions of Rule 53(a), except for clause (1). Currently, Southern's "aggregate investment," as defined in Rule 53(a)(1), in EWGs and FUCOs is approximately $2.3 billion, or about 63% of Southern's "consolidated retained earnings," also as defined in Rule 53(a)(1), for the four quarters ended September 30, 1996 ($3,601 million). With respect to Rule 53(a)(1), however, the Commission has determined that Southern's financing of investments in EWGs and FUCOs in an amount greater than the amount that would otherwise be allowed by Rule 53(a)(1) would not have either of the adverse effects set forth in Rule 53(c). See The Southern Company, Holding Company Act Release Nos. 26501 and 26646, dated April 1, 1996 and January 15, 1997, respectively.

In addition, Southern has complied and will continue to comply with the record-keeping requirements of Rule 53(a)(2), the limitation under Rule 53(a)(3) on the use of Operating Company personnel to render services to EWGs and FUCOs, and the requirements of Rule 53(a)(4) concerning the submission of copies of certain filings under the Act to retail rate regulatory commissions. Further, none of the circumstances described in Rule 53(b) has occurred.

Moreover, even if the effect of the capitalization and earnings of EWGs and FUCOs in which Southern has an ownership interest upon the Southern holding company system were considered, there is no basis for the Commission to withhold or deny approval for the proposal made in this Application-Declaration. The action requested in the instant filing (*viz.* approval for certain financing transactions by Gulf) would not, by itself, or even considered in conjunction with the effect of the

capitalization and earnings of Southern's EWGs and FUCOs, have a material adverse effect on the financial integrity of the Southern system, or an adverse impact on Southern's public-utility subsidiaries, their customers, or the ability of State commissions to protect such public-utility customers."

ITEM 6. EXHIBITS AND FINANCIAL STATEMENTS.

A. Exhibits:

A-1 - Trust Agreement of Gulf Power Capital Trust I. (Designated in Form S-3 File Nos. 333-19271, 333-19271-01 and 333-19271-02, as Exhibit 4.4-A.)

A-2 - Trust Agreement of Gulf Power Capital Trust II. (Designated in Form S-3 File Nos. 333-19271, 333-19271-01 and 333-19271-02, as Exhibit 4.4-B.)

A-3 - Forms of Amended and Restated Trust Agreements for Gulf Power Capital Trust I. (Designated in Form S-3 File Nos. 333-19271, 333-19271-01 and 333-19271-02, as Exhibits 4.5-A and 4.5-C.)

A-4 - Forms of Amended and Restated Trust Agreements for Gulf Power Capital Trust II. (Designated in Form S-3 File Nos. 333-19271, 333-19271-01 and 333-19271-02, as Exhibits 4.5-B and 4.5-D.)

B-1 - Form of Subordinated Note Indenture between Gulf Power Company and The Chase Manhattan Bank, as Trustee. (Designated in Form S-3 File Nos. 333-19271, 333-19271-01 and 333-19271-02, as Exhibit 4.1.)

B-2 - Forms of Supplemental Indenture to Subordinated Note Indenture between Gulf Power Company and The Chase Manhattan Bank, as Trustee. (Designated in Form S-3 File Nos. 333-19271, 333-19271-01 and 333-19271-02, as Exhibit 4.2-A and 4.2-B.)

B-3 - Forms of Guarantee with respect to Preferred Securities of Gulf Power Capital Trust I and Gulf Power Capital Trust II. (Designated in Form S-3 File Nos. 333-19271, 333-19271-01 and 333-19271-02, as Exhibits 4.6-A, 4.6-B, 4.6-C and 4.6-D.)

C-1 - Registration Statement under the Securities Act of 1933. (Filed electronically January 3, 1997, File Nos. 333-19271, 333-19271-01 and 333-19271-02.)

B. Financial Statements.

Balance sheet of Gulf at September 30, 1996. (Designated in Gulf's Form 10-Q for the quarter ended September 30, 1996, File No. 0-2429.)

Statements of Income of Gulf for the periods ended September 30, 1996. (Designated in Gulf's Form 10-Q for the quarter ended September 30, 1996, File No. 0-2429.)

SIGNATURES

Pursuant to the requirements of the Public Utility Holding Company Act of 1935, the undersigned companies have duly caused this amendment to be signed on their behalf by the undersigned thereunto duly authorized.

Date: January 27, 1997

ALABAMA POWER COMPANY

By: _____
Wayne Boston, Assistant Secretary

GEORGIA POWER COMPANY

By: _____
Wayne Boston, Assistant Secretary

[Signatures continued on next page]

GULF POWER COMPANY

By: _____
Wayne Boston, Assistant Secretary

MISSISSIPPI POWER COMPANY

By: _____
Wayne Boston, Assistant Secretary

SAVANNAH ELECTRIC AND POWER COMPANY

By: _____
Wayne Boston, Assistant Secretary

File No 70-8461

SECURITIES AND EXCHANGE COMMISSION
Washington, D C 20549

AMENDMENT NO 12
(Post-Effective No 9)
TO
FORM U-1
APPLICATION OR DECLARATION
under
The Public Utility Holding Company Act of 1935

ALABAMA POWER COMPANY
600 North 18th Street
Birmingham, Alabama 35291

GULF POWER COMPANY
500 Bayfront Parkway
Pensacola, Florida 32501

GEORGIA POWER COMPANY
333 Piedmont Avenue, N E.
Atlanta, Georgia 30308

MISSISSIPPI POWER COMPANY
2992 West Beach
Gulfport, Mississippi 39501

SAVANNAH ELECTRIC AND POWER COMPANY
600 East Bay Street
Savannah, Georgia 31401

(Name of company or companies filing this statement and addresses of principal executive offices)

THE SOUTHERN COMPANY

(Name of top registered holding company parent of each applicant or declarant)

Art P. Beattie, Vice President,
Secretary and Treasurer
Alabama Power Company
600 North 18th Street
Birmingham, Alabama 35291

Warren E Tate, Secretary
and Treasurer
Gulf Power Company
500 Bayfront Parkway
Pensacola, Florida 32501

Judy M. Anderson, Vice President
and Corporate Secretary
Georgia Power Company
333 Piedmont Avenue, N E.
Atlanta, Georgia 30308

Michael W Southern, Vice
President, Secretary and Treasurer
Mississippi Power Company
2992 West Beach
Gulfport, Mississippi 39501

Kirby R. Willis, Vice President, Treasurer
and Chief Financial Officer
Savannah Electric and Power Company
600 East Bay Street
Savannah, Georgia 31401

(Names and addresses of agents for service)

The Commission is requested to mail signed copies of all orders, notices and communications to:

W. L. Westbrook
Financial Vice President
The Southern Company
270 Peachtree Street, NW
Atlanta, Georgia 30303

John D. McLanahan, Esq.
Troutman Sanders LLP
600 Peachtree Street, N E.
Suite 5200
Atlanta, Georgia 30308-2216

ITEM 1. DESCRIPTION OF PROPOSED TRANSACTIONS

Item 1 is hereby amended by adding thereto the following

"Mississippi proposes, in addition to a Special Purpose Subsidiary organized as either a limited liability company or a limited partnership, to organize its Special Purpose Subsidiaries as trusts, Mississippi Power Capital Trust I and Mississippi Power Capital Trust II (individually, a "Trust" and collectively, the "Trusts")

Each of the Trusts is a statutory business trust formed under Delaware law pursuant to the filing of its respective certificate of trust with the Delaware Secretary of State on January 24, 1997 Each Trust's business is defined in a separate trust agreement, each such trust agreement executed by Mississippi, as Depositor, and the Delaware Trustee (the "Trustee") thereunder and filed as Exhibits A-1 and A-2 hereto It is proposed that each trust agreement will be amended and restated in its entirety, substantially in the forms of Exhibits A-3 and A-4 hereto, on the date of the offering by such Trust (the "Trust Agreement") Each of the Trusts exists for the exclusive purposes of (i) issuing its Trust Preferred Securities (as defined below) and its Trust Common Securities (as defined below)(the Trust Preferred Securities and the Trust Common Securities of each Trust being herein referred to as the "Trust Securities" of such Trust) which represent the undivided beneficial interests in the assets of such Trust, (ii) investing the gross proceeds of its Trust Securities in a series of Junior Subordinated Notes (as defined below) of Mississippi and (iii) engaging in only those other activities necessary, appropriate, convenient or incidental thereto. The term of each of the Trusts will be set forth in the related Trust Agreement.

It is proposed that each of the Trusts will issue only one series of Trust Preferred Securities (the "Trust Preferred Securities") The aggregate liquidation amount of the Trust Preferred Securities issued by the Trusts hereunder will not exceed $55,000,000. The distribution rate to be borne by the Trust Preferred Securities of each of the Trusts will not exceed 12.5% per annum (expressed as a percentage of liquidation amount) and shall also be the distribution rate for the respective Trust Common Securities and the interest rate for the related Junior Subordinated Notes (the "Securities Rate"). It is proposed that each of the Trusts will issue its Trust Common Securities (the "Trust Common Securities"), registered in the name of Mississippi, to Mississippi. The Trust Common Securities of each Trust will represent approximately 3% undivided beneficial interests in the assets of the Trust The proceeds realized by each of the Trusts from the sale of its Trust Preferred Securities, together with Mississippi's payment to such Trust for its Trust Common Securities, will be loaned to Mississippi, such loan to be evidenced by a related series of Mississippi's Junior Subordinated Notes (the "Junior Subordinated Notes") equal in aggregate principal amount to the aggregate liquidation amount of such Trust's Trust Securities It is proposed that the Junior Subordinated Notes will have maturities of up to 50 years and will not be convertible into any other securities or assets of Mississippi or of any of the Trusts.

The holders of Trust Preferred Securities and Trust Common Securities of each of the Trusts will receive as distributions on payment dates their pro rata shares of payments received by such Trust on its Junior Subordinated Notes, except that, in

the event of default by Mississippi on such Junior Subordinated Notes, the payment entitlement of Mississippi as holder of the Trust Common Securities of such Trust will be subordinated to the payment entitlement of the investors as holders of such Trust Preferred Securities. Each respective Trust Agreement will provide that holders of Trust Preferred Securities will have only the rights expressly granted to them by such Trust Agreement, including the right to receive distributions and certain consensual rights expressly provided.

It is proposed that each of the Trusts will issue and sell its Trust Preferred Securities pursuant to a separate underwriting agreement among such Trust, Mississippi and the underwriters thereunder. Pursuant to such underwriting agreement, the underwriters will purchase the Trust Preferred Securities from such Trust at an aggregate purchase price equal to the aggregate liquidation amount of such Trust Preferred Securities. In addition, in view of the fact that the proceeds of the sale of the Trust Preferred Securities will be loaned to Mississippi, Mississippi will agree to pay the underwriters' compensation for their services in an amount not exceeding 4% of the aggregate liquidation amount of such Trust Preferred Securities.

Cash distributions on the respective Trust Securities will be cumulative from the date of original issuance of such Trust Securities at the applicable Securities Rate and will be payable periodically in arrears as described in the related Trust Agreement. Such distributions in arrears for more than one such period will bear interest thereon at the Securities Rate. Each related series of Junior Subordinated Notes will similarly bear interest at the Securities Rate. Mississippi will have the right from time to time to

defer the payment of interest on such Junior Subordinated Notes for a period specified in the related Supplemental Indenture, at the end of each of which extension periods all accrued and unpaid interest (together with interest thereon at the Securities Rate) will be due and payable. As a consequence of any such extension of the interest payment period on the Junior Subordinated Notes, periodic distributions on the Trust Preferred Securities would be correspondingly deferred

Mississippi will guarantee (the "Guarantee") the following payments with respect to the Trust Preferred Securities of each Trust to the extent not paid by the respective Trust:

(i) any accrued and unpaid distributions that are required to be paid on the Trust Preferred Securities but if and only if and to the extent such Trust shall have funds legally and immediately available therefor,

(ii) the redemption price, including all accrued and unpaid distributions to the date of redemption, with respect to any Trust Preferred Securities called for redemption by such Trust but if and only to the extent that such Trust has funds legally and immediately available therefor, and

(iii) upon a dissolution, winding-up or termination of such Trust (other than in connection with the distribution of Junior Subordinated Notes to the holders of its Trust Preferred Securities (as described below) or the redemption of all of the

Trust Preferred Securities of such Trust), the lesser of (a) the aggregate of the liquidation amount and all accrued and unpaid distributions on its Trust Preferred Securities to the date of payment, to the extent such Trust has funds legally and immediately available therefor, and (b) the amount of assets of such Trust remaining available for distribution to holders of its Trust Preferred Securities in liquidation of such Trust.

Each issue of the Trust Securities is subject to mandatory redemption upon repayment of the related Junior Subordinated Notes at maturity or upon their earlier redemption. Each series of the Junior Subordinated Notes may be redeemed, in whole or in part, at the option of Mississippi at any time on or after the date set forth in the related Supplemental Indenture. In addition, upon the occurrence of certain special events arising from a change in law or a change in legal interpretation or other specified circumstances relating to tax matters and the Investment Company Act of 1940, as amended, Mississippi shall have the option to redeem the Junior Subordinated Notes (and thus cause the redemption of the Trust Securities). Mississippi will also have the right at any time to terminate a Trust and cause the related Junior Subordinated Notes to be distributed to the holders of the Trust Preferred Securities of such Trust in liquidation thereof.

It is contemplated that, for Federal income tax purposes, each of the Trusts will be treated as a passive grantor trust and not as a partnership. Accordingly, as in the case of a limited liability company or limited partnership Special Purpose

Subsidiary, none of the Trusts will be subject to tax and Mississippi and investors holding Trust Preferred Securities will be treated as the owners of the respective Trust and will be required to include in income their proportionate shares of the income of such Trust. However, the information reporting procedure for the Trusts would differ from the procedures used when the Special Purpose Subsidiary is a limited liability company or a limited partnership. Investors would receive tax reporting information from their brokers on an IRS Form 1099, rather than the Schedule K-1.

It is anticipated that each of the Trusts will be exempt from status as an "investment company" under the Investment Company Act of 1940, as amended, in reliance on the finance subsidiary rule (Rule 3a-5).

The proceeds from the sale of its Trust Preferred Securities will be loaned by each of the Trusts to Mississippi, such loan to be evidenced by the respective Junior Subordinated Notes and ultimately will be used by Mississippi in connection with its ongoing construction program, to pay scheduled maturities and/or refundings of its securities, to repay short-term indebtedness to the extent outstanding and for other general corporate purposes. None of such proceeds will be used by Mississippi or any associate company thereof for the acquisition of an interest in an "exempt wholesale generator" or a "foreign utility company" as defined in Sections 32 and 33, respectively, of the Act.

It is considered that the record is now complete with respect to the issuance by each of the Trusts of its Trust Preferred Securities and the related issuance by Mississippi of the related series of Junior Subordinated Notes and the Guarantees as

described herein. Accordingly, an order with respect to such transactions is hereby requested. It is hereby requested that jurisdiction be reserved with respect to the other transactions proposed in these proceedings."

ITEM 2. FEES, COMMISSIONS AND EXPENSES

The estimated fees and expenses to be incurred by Mississippi in connection herewith are as follows:

	Initial Issuance	Each Additional Issuance
Filing fees - Securities and Exchange Commission	16,667	–
Fees and Expenses of Trustees	17,000	17,000
Listing on New York Stock Exchange	30,900	–
Printing charges	40,000	10,000
Rating Agency Fees	38,600	20,500
Services of Southern Company Services, Inc	40,000	10,000
Fees and Expenses of counsel	65,000	35,000
Blue sky fees and expenses	3,500	3,500
Fees of accountants, Arthur Andersen LLP	35,000	25,000
Miscellaneous	10,333	9,000
Total	$295,000	$130,000

ITEM 3. APPLICABLE STATUTORY PROVISIONS.

Item 3 is hereby amended by adding thereto the following

"Rule 54 Analysis: The proposed transaction is also subject to Rule 54, which provides that, in determining whether to approve an application which does not relate to any "exempt wholesale generator" ("EWG") or "foreign utility company" ("FUCO"), the Commission shall not consider the effect of the capitalization or earnings of any such EWG or FUCO which is a subsidiary of a registered holding company if the requirements of Rule 53(a), (b) and (c) are satisfied.

The Southern Company ("Southern") currently meets all of the conditions of Rule 53(a), except for clause (1). Currently, Southern's "aggregate investment," as defined in Rule 53(a)(1), in EWGs and FUCOs is approximately $2 3 billion, or about 63% of Southern's "consolidated retained earnings," also as defined in Rule 53(a)(1), for the four quarters ended September 30, 1996 ($3,601 million) With respect to Rule 53(a)(1), however, the Commission has determined that Southern's financing of investments in EWGs and FUCOs in an amount greater than the amount that would otherwise be allowed by Rule 53(a)(1) would not have either of the adverse effects set forth in Rule 53(c). See The Southern Company, Holding Company Act Release Nos 26501 and 26646, dated April 1, 1996 and January 15, 1997, respectively.

In addition, Southern has complied and will continue to comply wi' , the record-keeping requirements of Rule 53(a)(2), the limitation under Rule 53(a)(3) on the use of Operating Company personnel to render services to EWGs and FUCOs, and the requirements of Rule 53(a)(4) concerning the submission of copies of certain filings under the Act to retail rate regulatory commissions Further, none of the circumstances described in Rule 53(b) has occurred.

Moreover, even if the effect of the capitalization and earnings of EWGs and FUCOs in which Southern has an ownership interest upon the Southern holding company system were considered, there is no basis for the Commission to withhold or deny approval for the proposal made in this Application-Declaration. The action requested in the instant filing (*viz.* approval for certain financing transactions by Mississippi) would not, by itself, or even considered in conjunction with the effect of the

capitalization and earnings of Southern's EWGs and FUCOs, have a material adverse effect on the financial integrity of the Southern system, or an adverse impact on Southern's public-utility subsidiaries, their customers, or the ability of State commissions to protect such public-utility customers."

ITEM 6. EXHIBITS AND FINANCIAL STATEMENTS

A. Exhibits:

A-1 - Trust Agreement of Mississippi Power Capital Trust I (Designated in Form S-3 File Nos. 333-20469, 333-20469-01 and 333-20469-02, as Exhibit 4.4-A.)

A-2 - Trust Agreement of Mississippi Power Capital Trust II (Designated in Form S-3 File Nos. 333-20469, 333-20469-01 and 333-20469-02, as Exhibit 4.4-B.)

A-3 - Forms of Amended and Restated Trust Agreements for Mississippi Power Capital Trust I (Designated in Form S-3 File Nos. 333-20469, 333-20469-01 and 333-20469-02, as Exhibits 4.5-A and 4.5-C.)

A-4 - Forms of Amended and Restated Trust Agreements for Mississippi Power Capital Trust II. (Designated in Form S-3 File Nos. 333-20469, 333-20469-01 and 333-20469-02, as Exhibits 4.5-B and 4.5-D.)

B-1 - Form of Subordinated Note Indenture between Mississippi Power Company and The Chase Manhattan Bank, as Trustee. (Designated in Form S-3 File Nos. 333-20469, 333-20469-01 and 333-20469-02, as Exhibit 4.1.)

B-2 - Forms of Supplemental Indenture to Subordinated Note Indenture between Mississippi Power Company and The Chase Manhattan Bank, as Trustee. (Designated in Form S-3 File Nos. 333-20469, 333-20469-01 and 333-20469-02, as Exhibit 4.2-A and 4.2-B.)

B-3 - Forms of Guarantee with respect to Preferred Securities of Mississippi Power Capital Trust I and Mississippi Power Capital Trust II. (Designated in Form S-3 File Nos. 333-20469, 333-20469-01 and 333-20469-02, as Exhibits 4.8-A, 4.8-B, 4.8-C and 4.8-D.)

C-1 - Registration Statement under the Securities Act of 1933. (Filed electronically January 27, 1997, File Nos. 333-20469, 333-20469-01 and 333-20469-02.)

B. Financial Statements

Balance sheet of Mississippi at September 30, 1996. (Designated in Mississippi's Form 10-Q for the quarter ended September 30, 1996, File No. 0-6849.)

Statements of Income of Mississippi for the periods ended September 30, 1996. (Designated in Mississippi's Form 10-Q for the quarter ended September 30, 1996, File No. 0-6849.)

SIGNATURES

Pursuant to the requirements of the Public Utility Holding Company Act of 1935, the undersigned companies have duly caused this amendment to be signed on their behalf by the undersigned thereunto duly authorized.

Date: January 31, 1997

ALABAMA POWER COMPANY

By: _____
Wayne Boston, Assistant Secretary

GEORGIA POWER COMPANY

By: _____
Wayne Boston, Assistant Secretary

[Signatures continued on next page]

GULF POWER COMPANY

By: _____
Wayne Boston, Assistant Secretary

MISSISSIPPI POWER COMPANY

By: _____
Wayne Boston, Assistant Secretary

SAVANNAH ELECTRIC AND POWER COMPANY

By: _____
Wayne Boston, Assistant Secretary

File No. 70-8461

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

AMENDMENT NO. 13
(Post-Effective No. 10)
TO
FORM U-1
APPLICATION OR DECLARATION
under
The Public Utility Holding Company Act of 1935

ALABAMA POWER COMPANY
600 North 18th Street
Birmingham, Alabama 35291

GULF POWER COMPANY
500 Bayfront Parkway
Pensacola, Florida 32501

GEORGIA POWER COMPANY
333 Piedmont Avenue, N.E.
Atlanta, Georgia 30308

MISSISSIPPI POWER COMPANY
2992 West Beach
Gulfport, Mississippi 39501

SAVANNAH ELECTRIC AND POWER COMPANY
600 East Bay Street
Savannah, Georgia 31401

(Name of company or companies filing the statement and addresses of principal executive offices)

THE SOUTHERN COMPANY

(Name of top registered holding company parent of each applicant or declarant)

Art P. Beattie, Vice President,
Secretary and Treasurer
Alabama Power Company
600 North 18th Street
Birmingham, Alabama 35291

Warren E. Tate, Secretary
and Treasurer
Gulf Power Company
500 Bayfront Parkway
Pensacola, Florida 32501

Judy M. Anderson, Vice President
and Corporate Secretary
Georgia Power Company
333 Piedmont Avenue, N.E.
Atlanta, Georgia 30308

Michael W. Southern, Vice
President, Secretary and Treasurer
Mississippi Power Company
2992 West Beach
Gulfport, Mississippi 39501

Kirby R. Willis, Vice President, Treasurer
and Chief Financial Officer
Savannah Electric and Power Company
600 East Bay Street
Savannah, Georgia 31401

(Names and addresses of agents for service)

The Commission is requested to mail signed copies of all orders, notices and communications to:

W. L. Westbrook
Financial Vice President
The Southern Company
270 Peachtree Street, NW
Atlanta, Georgia 30303

John D. McLanahan, Esq.
Troutman Sanders LLP
600 Peachtree Street, N.E.
Suite 5200
Atlanta, Georgia 30308-2216

ITEM 1. DESCRIPTION OF PROPOSED TRANSACTIONS.

Item 1 is hereby amended by adding thereto the following:

By order dated December 15, 1994 (HCAR No. 26187) (the "December 1994 Order"), the Operating Companies were authorized to form separate special purpose subsidiaries. Each special purpose subsidiary would issue and sell preferred securities in one or more series from time to time through December 31, 1997. In the December 1994 Order, Georgia was authorized to issue $100,000,000 of preferred securities and jurisdiction was reserved pending completion of the record over the issuance of preferred securities in the amount of $175,000,000 in the case of Alabama, $200,000,000 in the case of Georgia, $15,000,000 in the case of Gulf, $15,000,000 in the case of Mississippi and $10,000,000 in the case of Savannah.

By order dated January 17, 1996 (HCAR No. 26452) (the "January 1996 Order"), Alabama was authorized to issue $97,000,000 of preferred securities and jurisdiction was reserved pending completion of the record over the issuance of preferred securities in the amount of $78,000,000 in the case of Alabama, $200,000,000 in the case of Georgia, $15,000,000 in the case of Gulf, $15,000,000 in the case of Mississippi and $10,000,000 in the case of Savannah.

By post-effective amendment dated June 18, 1996, the Operating Affiliates requested that the authority to issued preferred securities be increased to $250,000,000 in the case of Alabama, $500,000,000 in the case of Georgia, $60,000,000 in the case of Gulf, $60,000,000 in the case of Mississippi and $35,000,000 in the case of Savannah. In the case of Alabama and Georgia, such amounts were in addition to the amounts authorized by the December 1994 Order and the January 1996 Order. The Operating Affiliates also requested that such authority be

extended through December 31, 2001. Such request was noticed June 21, 1996 (HCAR 26535).

By order dated August 26, 1996 (HCAR No. 26560) (the "August 1996 Order") Georgia completed the record and was authorized to issue $400,000,000 of preferred securities and the Operating Companies were authorized, pending completion of the record, to effect the sale of preferred securities in one or more series from time to time through December 31, 2001 in the amount of $250,000,000 in the case of Alabama, $100,000,000 in the case of Georgia, $60,000,000 in the case of Gulf, $60,000,000 in the case of Mississippi and $35,000,000 in the case of Savannah.

By subsequent orders (HCAR 26644, dated January 14, 1997; HCAR 26657, dated January 29, 1997 and HCAR 26660, dated February 5, 1997) the record was completed and the sale of preferred securities was authorized as follows: $250,000,000 for Alabama; $60,000,000 for Gulf; and $55,000,000 for Mississippi.

Currently, the Commission has jurisdiction reserved regarding the issuance and sale of additional preferred securities in the amounts of $100,000,000 for Georgia, $5,000,000 for Mississippi and $35,000,000 for Savannah.

The Operating Companies (except for Savannah) now request new or additional authority as follows: $300,000,000 for Alabama; $200,000,000 for Georgia; $50,000,000 for Gulf; and $70,000,000 for Mississippi. The applicants request that such authority be in addition to amounts previously authorized in this proceeding and that the Commission reserve jurisdiction, pending completion of the record over the issuance and sale of preferred securities through December 31, 2001, as follows:

$300,000,000 for Alabama; $300,000,000 for Georgia; $50,000,000 for Gulf;

$75,000,000 for Mississippi; and $35,000,000 for Savannah.

ITEM 2. EXHIBITS AND FINANCIAL STATEMENTS.

A. Exhibits:

F-1 Opinion of Balch & Bingham LLP, counsel for Alabama. (To be filed by amendment.)

F-2 Opinion of Troutman Sanders LLP, counsel for Georgia. (To be filed by amendment.)

F-3 Opinion of Beggs & Lane, counsel for Gulf. (To be filed by amendment.)

F-4 Opinion of Eaton and Cottrell, P.A., counsel for Mississippi. (To be filed by amendment.)

F-5 Opinion of Bouhan, Williams & Levy LLP, counsel for Savannah. (To be filed by amendment.)

B. Financial Statements.

Balance sheet of Alabama at December 31, 1996. (Designated in Alabama's Form 10-K for the year ended December 31, 1996, File No. 1-3164.)

Statements of Income of Alabama for the periods ended December 31, 1996. (Designated in Alabama's Form 10-K for the year ended December 31, 1996, File No. 1-3164.)

Balance sheet of Georgia at December 31, 1996. (Designated in Georgia's Form 10-K for the year ended December 31, 1996, File No. 1-6468.)

Statements of Income of Georgia for the periods ended December 31, 1996. (Designated in Georgia's Form 10-K for the year ended December 31, 1996, File No. 1-6468.)

Balance sheet of Gulf at December 31, 1996. (Designated in Gulf's Form 10-K for the year ended December 31, 1996, File No. 0-2429.)

Statements of Income of Gulf for the periods ended December 31, 1996. (Designated in Gulf's Form 10-K for the year ended December 31, 1996, File No. 0-2429.)

Balance sheet of Mississippi at December 31, 1996. (Designated in Mississippi's Form 10-K for the year ended December 31, 1996, File No. 0-6849.)

Statements of Income of Mississippi for the periods ended December 31, 1996. (Designated in Mississippi's Form 10-K for the year ended December 31, 1996, File No. 0-6849.)

Balance sheet of Savannah at December 31, 1996. (Designated in Savannah's Form 10-K for the year ended December 31, 1996, File No. 1-5072.)

Statements of Income of Savannah for the periods ended December 31, 1996. (Designated in Savannah's Form 10-K for the year ended December 31, 1996, File No. 1-5072.)

ITEM 3. APPLICABLE STATUTORY PROVISIONS.

Item 3 is hereby amended by adding thereto the following:

"Rule 54 Analysis: The proposed transaction is also subject to Rule 54, which provides that, in determining whether to approve an application which does not relate to any "exempt wholesale generator" ("EWG") or "foreign utility company" ("FUCO"), the Commission shall not consider the effect of the capitalization or earnings of any such EWG or FUCO which is a subsidiary of a registered holding company if the requirements of Rule 53(a), (b) and (c) are satisfied.

The Southern Company ("Southern") currently meets all of the conditions of Rule 53(a), except for clause (1). At March 31, 1997, Southern's "aggregate investment," as defined in Rule 53(a)(1), in EWGs and FUCOs is approximately $2.481 billion, or about 67.6% of Southern's "consolidated retained earnings," also as defined in Rule 53(a)(1), for the four quarters ended December 31, 1996 ($3,671 million). With

respect to Rule 53(a)(1), however, the Commission has determined that Southern's financing of investments in EWGs and FUCOs in an amount greater than the amount that would otherwise be allowed by Rule 53(a)(1) would not have either of the adverse effects set forth in Rule 53(c). See The Southern Company, Holding Company Act Release Nos. 26501 and 26646, dated April 1, 1996 and January 15, 1997, respectively.

In addition, Southern has complied and will continue to comply with the record-keeping requirements of Rule 53(a)(2), the limitation under Rule 53(a)(3) on the use of Operating Company personnel to render services to EWGs and FUCOs, and the requirements of Rule 53(a)(4) concerning the submission of copies of certain filings under the Act to retail rate regulatory commissions. Further, none of the circumstances described in Rule 53(b) has occurred.

Moreover, even if the effect of the capitalization and earnings of EWGs and FUCOs in which Southern has an ownership interest upon the Southern holding company system were considered, there is no basis for the Commission to withhold or deny approval for the proposal made in this Application-Declaration. The action requested in the instant filing (*viz.* approval for certain financing transactions by Operating Companies) would not, by itself, or even considered in conjunction with the effect of the capitalization and earnings of Southern's EWGs and FUCOs, have a material adverse effect on the financial integrity of the Southern system, or an adverse impact on Southern's public-utility subsidiaries, their customers, or the ability of State commissions to protect such public-utility customers."

SIGNATURES

Pursuant to the requirements of the Public Utility Holding Company Act of 1935, the undersigned companies have duly caused this amendment to be signed on their behalf by the undersigned thereunto duly authorized.

Date: May 2, 1997

ALABAMA POWER COMPANY

By: _____
Wayne Boston, Assistant Secretary

GEORGIA POWER COMPANY

By: _____
Wayne Boston, Assistant Secretary

GULF POWER COMPANY

By: _____
Wayne Boston, Assistant Secretary

MISSISSIPPI POWER COMPANY

By: _____
Wayne Boston, Assistant Secretary

SAVANNAH ELECTRIC AND POWER COMPANY

By: _____
Wayne Boston, Assistant Secretary

File No. 70-8461

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

AMENDMENT NO. 14
(Post-Effective No. 11)
TO
FORM U-1
APPLICATION OR DECLARATION
under
The Public Utility Holding Company Act of 1935

ALABAMA POWER COMPANY
600 North 18th Street
Birmingham, Alabama 35291

GULF POWER COMPANY
500 Bayfront Parkway
Pensacola, Florida 32501

GEORGIA POWER COMPANY
333 Piedmont Avenue, N.E.
Atlanta, Georgia 30308

MISSISSIPPI POWER COMPANY
2992 West Beach
Gulfport, Mississippi 39501

SAVANNAH ELECTRIC AND POWER COMPANY
600 East Bay Street
Savannah, Georgia 31401

(Name of company or companies filing this statement and addresses of principal executive offices)

THE SOUTHERN COMPANY

(Name of top registered holding company parent of each applicant or declarant)

Art P. Beattie, Vice President,
Secretary and Treasurer
Alabama Power Company
600 North 18th Street
Birmingham, Alabama 35291

Warren E. Tate, Secretary
and Treasurer
Gulf Power Company
500 Bayfront Parkway
Pensacola, Florida 32501

Judy M. Anderson, Vice President
and Corporate Secretary
Georgia Power Company
333 Piedmont Avenue, N.E.
Atlanta, Georgia 30308

Michael W. Southern, Vice
President, Secretary and Treasurer
Mississippi Power Company
2992 West Beach
Gulfport, Mississippi 39501

Kirby R. Willis, Vice President, Treasurer
and Chief Financial Officer
Savannah Electric and Power Company
600 East Bay Street
Savannah, Georgia 31401

(Names and addresses of agents for service)

The Commission is requested to mail signed copies of all orders, notices and communications to:

W. L. Westbrook
Financial Vice President
The Southern Company
270 Peachtree Street, NW
Atlanta, Georgia 30303

John D. McLanahan, Esq.
Troutman Sanders LLP
600 Peachtree Street, N.E.
Suite 5200
Atlanta, Georgia 30308-2216

ITEM 1. DESCRIPTION OF PROPOSED TRANSACTIONS.

The information added to Item 1 in Amendment 13 (Post-Effective No. 10) is hereby deleted and replaced with the following:

By order dated December 15, 1994 (HCAR No. 26187) (the "December 1994 Order"), the Operating Companies were authorized to form separate special purpose subsidiaries. Each special purpose subsidiary would issue and sell preferred securities in one or more series from time to time through December 31, 1997. In the December 1994 Order, Georgia was authorized to issue $100,000,000 of preferred securities and jurisdiction was reserved pending completion of the record over the issuance of preferred securities in the amount of $175,000,000 in the case of Alabama, $200,000,000 in the case of Georgia, $15,000,000 in the case of Gulf, $15,000,000 in the case of Mississippi and $10,000,000 in the case of Savannah.

By order dated January 17, 1996 (HCAR No. 26452) (the "January 1996 Order"), Alabama was authorized to issue $97,000,000 of preferred securities and jurisdiction was reserved pending completion of the record over the issuance of preferred securities in the amount of $78,000,000 in the case of Alabama, $200,000,000 in the case of Georgia, $15,000,000 in the case of Gulf, $15,000,000 in the case of Mississippi and $10,000,000 in the case of Savannah.

By post-effective amendment dated June 18, 1996, the Operating Affiliates requested that the authority to issued preferred securities be increased to $250,000,000 in the case of Alabama, $500,000,000 in the case of Georgia, $60,000,000 in the case of Gulf, $60,000,000 in the case of Mississippi and

$35,000,000 in the case of Savannah. In the case of Alabama and Georgia, such amounts were in addition to the amounts authorized by the December 1994 Order and the January 1996 Order. The Operating Affiliates also requested that such authority be extended through December 31, 2001. Such request was noticed June 21, 1996 (HCAR 26535).

By order dated August 26, 1996 (HCAR No. 26560) (the "August 1996 Order") Georgia completed the record and was authorized to issue $400,000,000 of preferred securities and the Operating Companies were authorized, pending completion of the record, to effect the sale of preferred securities in one or more series from time to time through December 31, 2001 in the amount of $250,000,000 in the case of Alabama, $100,000,000 in the case of Georgia, $60,000,000 in the case of Gulf, $60,000,000 in the case of Mississippi and $35,000,000 in the case of Savannah.

By subsequent orders (HCAR 26644, dated January 14, 1997; HCAR 26657, dated January 29, 1997 and HCAR 26660, dated February 5, 1997) the record was completed and the sale of preferred securities was authorized as follows: $250,000,000 for Alabama; $60,000,000 for Gulf; and $55,000,000 for Mississippi.

Currently, the Commission has jurisdiction reserved regarding the issuance and sale of additional preferred securities in the amounts of $100,000,000 for Georgia, $5,000,000 for Mississippi and $35,000,000 for Savannah.

The Operating Companies now request new or additional authority as follows: $500,000,000 for Alabama; $400,000,000 for Georgia; $50,000,000 for Gulf; $70,000,000 for Mississippi; and $5,000,000 for Savannah. The applicants request

that such authority be in addition to amounts previously authorized in this proceeding and that the Commission reserve jurisdiction, pending completion of the record over the issuance and sale of preferred securities through December 31, 2005, as follows: $500,000,000 for Alabama; $500,000,000 for Georgia; $50,000,000 for Gulf; $75,000,000 for Mississippi; and $40,000,000 for Savannah.

SIGNATURES

Pursuant to the requirements of the Public Utility Holding Company Act of 1935, the undersigned companies have duly caused this amendment to be signed on their behalf by the undersigned thereunto duly authorized.

Date: May 13, 1997

ALABAMA POWER COMPANY

By: _____
Wayne Boston, Assistant Secretary

GEORGIA POWER COMPANY

By: _____
Wayne Boston, Assistant Secretary

GULF POWER COMPANY

By: _____
Wayne Boston, Assistant Secretary

MISSISSIPPI POWER COMPANY

By: _____
Wayne Boston, Assistant Secretary

SAVANNAH ELECTRIC AND POWER COMPANY

By: _____
Wayne Boston, Assistant Secretary

File No. 70-8461

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

AMENDMENT NO. 15
(Post-Effective No. 12)
TO
FORM U-1
APPLICATION OR DECLARATION
under
The Public Utility Holding Company Act of 1935

ALABAMA POWER COMPANY
600 North 18th Street
Birmingham, Alabama 35291

GULF POWER COMPANY
500 Bayfront Parkway
Pensacola, Florida 32501

GEORGIA POWER COMPANY
333 Piedmont Avenue, N.E.
Atlanta, Georgia 30308

MISSISSIPPI POWER COMPANY
2992 West Beach
Gulfport, Mississippi 39501

SAVANNAH ELECTRIC AND POWER COMPANY
600 East Bay Street
Savannah, Georgia 31401

(Name of company or companies filing this statement
and addresses of principal executive offices)

THE SOUTHERN COMPANY

(Name of top registered holding company parent of each applicant or declarant)

Art P. Beattie, Vice President
Secretary and Treasurer
Alabama Power Company
600 North 18th Street
Birmingham, Alabama 35291

Warren E. Tate, Secretary
and Treasurer
Gulf Power Company
500 Bayfront Parkway
Pensacola, Florida 32501

Judy M. Anderson, Vice President
and Corporate Secretary
Georgia Power Company
333 Piedmont Avenue, N.E.
Atlanta, Georgia 30308

Michael W. Southern, Vice
President, Secretary and Treasurer
Mississippi Power Company
2992 West Beach
Gulfport, Mississippi 39501

Kirby R. Willis, Vice President, Treasurer
and Chief Financial Officer
Savannah Electric and Power Company
600 East Bay Street
Savannah, Georgia 31401

(Names and addresses of agents for service)

The Commission is requested to mail signed copies of all orders, notices and communications to:

W. L. Westbrook
Financial Vice President
The Southern Company
270 Peachtree Street, NW
Atlanta, Georgia 30303

John D. McLanahan, Esq.
Troutman Sanders LLP
600 Peachtree Street, N.E.
Suite 5200
Atlanta, Georgia 3030[illegible]-2216

ITEM 1. DESCRIPTION OF PROPOSED TRANSACTIONS.

"It is considered that the record is now complete with respect to the issuance by Georgia Power Capital Trust III of $189,250,000 aggregate liquidation amount of its Trust Preferred Securities and the related issuance by Georgia of the related series of Junior Subordinated Notes and the Guarantee. The terms of such Trust Preferred Securities, Junior Subordinated Notes and Guarantee will be as particularly described in Amendment No. 9 previously filed herein.

The applicants request that the Commission reserve jurisdiction, pending completion of the record, over the issuance and sale of preferred securities through December 31, 2005, as follows: $500,000,000 for Alabama; $310,750,000 for Georgia; $50,000,000 for Gulf; $75,000,000 for Mississippi; and $40,000,000 for Savannah.

As described in Amendment No. 9, the Trust will issue only one series of Trust Preferred Securities (the "Trust Preferred Securities") and the distribution rate to be borne by the Trust Preferred Securities will not exceed 12.5% per annum (expressed as a percentage of liquidation amount) and shall also be the distribution rate for the Trust Common Securities and the interest rate for the related Junior Subordinated Notes (the "Securities Rate"). The Junior Subordinated Notes will have a maturity of up to 50 years and will not be convertible into any other securities or assets of Georgia or the Trust. In addition, in view of the fact that the proceeds of the sale of the Trust Preferred Securities will be loaned to Georgia, Georgia will agree to pay the underwriters' compensation for their services in an amount not exceeding 4% of the aggregate liquidation amount of such Trust Preferred Securities."

ITEM 2. FEES, COMMISSIONS AND EXPENSES.

The estimated fees and expenses to be incurred by Georgia in connection herewith are as follows:

Filing fees - Securities and Exchange Commission	$ 60,607
Fees and Expenses of Trustees	12,500
Listing on New York Stock Exchange	58,300
Printing charges	75,000
Rating Agency Fees	107,000
Services of Southern Company Services, Inc.	30,000
Fees and Expenses of counsel	45,000
Blue sky fees and expenses	3,500
Fees of accountants, Arthur Andersen LLP	42,000
Miscellaneous	26,093
TOTAL	$460,000

ITEM 3. APPLICABLE STATUTORY PROVISIONS.

3.2 Rule 54 Analysis: The proposed transaction is also subject to Rule 54, which provides that, in determining whether to approve an application which does not relate to any "exempt wholesale generator" ("EWG") or "foreign utility company" ("FUCO"), the Commission shall not consider the effect of the capitalization or earnings of any such EWG or FUCO which is a subsidiary of a registered holding company if the requirements of Rule 53(a), (b) and (c) are satisfied.

Southern currently meets all of the conditions of Rule 53(a), except for clause (1). At April 30, 1997, Southern's "aggregate investment," as defined in Rule 53(a)(1), in EWGs and FUCOs was approximately $2.102 billion, or about 56.38% of Southern's "consolidated retained earnings," also as defined in Rule 53(a)(1), for the four quarters ended March 31, 1997 ($3,728 million). With respect to Rule 53(a)(1), however, the Commission has determined that Southern's financing of investments in EWGs and FUCOs in an amount greater than the amount that would otherwise be allowed by Rule 53(a)(1) would not have either of the adverse effects set forth in Rule 53(c). See *The Southern Company*,

Holding Company Act Release No. 16501, dated April 1, 1996 (the "Rule 53(c) Order"); and Holding Company Act Release No. 26646, dated January 15, 1997 (order denying request for reconsideration and motion to stay).

In addition, Southern has complied and will continue to comply with the record-keeping requirements of Rule 53(a)(2), the limitation under Rule 53(a)(3) on the use of Operating Company personnel to render services to EWGs and FUCOs, and the requirements of Rule 53(a)(4) concerning the submission of copies of certain filings under the Act to retail rate regulatory commissions. Further, none of the circumstances described in Rule 53(b) has occurred.

Moreover, even if the effect of the capitalization and earnings of EWGs and FUCOs in which Southern has an ownership interest upon the Southern holding company system were considered, there is no basis for the Commission to withhold or deny approval for the proposal made in this Application-Declaration. The action requested in the instant filing (*viz.* Issuance of preferred securities by Georgia Power Capital Trust III) would not, by itself, or even considered in conjunction with the effect of the capitalization and earnings of Southern's EWGs and FUCOs, have a material adverse effect on the financial integrity of the Southern system, or an adverse impact on Southern's public-utility subsidiaries, their customers, or the ability of State commissions to protect such public-utility customers.

The Rule 53(c) Order was predicated, in part, upon an assessment of Southern's overall financial condition which took into account, among other factors, Southern's consolidated capitalization ratio and the recent growth trend in Southern's retained earnings. As of December 31, 1995, the most recent fiscal year preceding the Rule 53(c) Order, Southern's consolidated capitalization consisted of 49.3% equity (including mandatorily redeemable preferred securities) and 50.7% debt (including $1.68 billion of long-term, non-recourse debt and short-term debt related to EWGs and FUCOs). As of year-end 1996, that ratio was 52.9% equity and 47.1% debt (including $1.74 billion of long-term, non-recourse debt and short-term debt related to EWGs and FUCOs); and as of March 31, 1997, following completion of

Southern's acquisition of a controlling interest in Consolidated Electric Power Asia Ltd., the comparable ratio was 48.7% equity and 51.3% debt (including $3.82 billion of long-term, non-recourse debt and short-term debt related to EWGs and FUCOs). On a *pro forma* basis, taking into account the effect of the proposed of the proposed issuance of preferred securities by Georgia Power Capital Trust III, consolidated capitalization would change only slightly to 49.1% equity and 50.9% debt. Thus, since the date of the Rule 53(c) Order, there has been no material change in Southern's consolidated capitalization ratio, which generally remains within accepted industry ranges and limits that rating agencies set for "A" rated utility companies.[1]

Southern's consolidated retained earnings grew on average approximately 8.8% per year from 1991 through 1995. In 1996, consolidated retained earnings increased $280,365,000, or slightly more than 8%. The small reduction in the rate of earnings growth was primarily attributable to reduced domestic utility sales due to mild weather conditions throughout most of 1996 in the southeastern United States. Earnings attributable to Southern's investments in EWGs and FUCOs continued to contribute modestly to consolidated retained earnings.

Accordingly, since the date of the Rule 53(c) Order, the capitalization and earnings attributable to Southern's investments in EWGs and FUCOs has not had any adverse impact on Southern's financial integrity.

---

[1] Currently, capitalization ratios (including short-term debt and non-recourse project debt) for "A" rated utilities are as follows:

	'A' Industry Average*	Benchmark 'A' Range*
Equity	51%	51 - 53%
Debt	49%	47 - 49%

*(Source: Standard & Poor's Utilities Rating Service, Financial Statistics, Twelve Months Ended September 30, 1996. The Benchmark 'A' Range includes High Average and Average Business Positions).

Reference is made to Exhibit I filed herewith which reflects capitalization at March 31, 1997 and the Statement of Income for the twelve months ended March 31, 1997 for The Southern Company and subsidiaries consolidated. In addition, the exhibit is adjusted to give effect to the proposed issuance of $189,250,000 of preferred securities by Georgia Power Capital Trust III.

ITEM 6. EXHIBITS AND FINANCIAL STATEMENTS.

A. Exhibits:

A-1 - Trust Agreement of Georgia Power Capital Trust III. (Designated in Form S-3 File Nos. 333-06037, 333-06037-01, 333-06037-02, and 333-06037-03, as Exhibit 4.4-C.)

A-2 - Form of Amended and Restated Trust Agreement for Georgia Power Capital Trust III. (Designated in Form S-3 File Nos. 333-06037, 333-06037-01, 333-06037-02, and 333-06037-03, as Exhibit 4.5-C.)

B-1 - Form of Subordinated Note Indenture between Georgia Power Company and The Chase Manhattan Bank, as Trustee. (Designated in Form S-3 File Nos. 333-06037, 333-06037-01, 333-06037-02, and 333-06037-03, as Exhibit 4.1.)

B-2 - Form of Supplemental Indenture to Subordinated Note Indenture between Georgia Power Company and The Chase Manhattan Bank, as Trustee. (Designated in Form S-3 File Nos. 333-06037, 333-06037-01, 333-06037-02, and 333-06037-03, as Exhibit 4.2.)

B-3 - Forms of Guarantee with respect to Preferred Securities of Georgia Power Capital Trust I, Georgia Power Capital Trust II and Georgia Power Capital Trust III. (Designated in Form S-3 File Nos. 333-06037, 333-06037-01, 333-06037-02, and 333-06037-03, as Exhibits 4.8-A, 4.8-B and 4.8-C.)

C-1 - Registration Statement under the Securities Act of 1933. (Filed electronically May 30, 1997, File Nos. 333-28189 and 333-28189-01.)

C-2 - Amendment No. 1 to Registration Statement under the Securities Act of 1933. (Filed electronically June 5, 1997, File Nos. 333-28189 and 333-28189-01.)

F-2 - Opinion of Troutman Sanders LLP, counsel for Georgia.

I - Capitalization and Income Statement of The Southern Company and Subsidiary Companies after giving effect to the issuance of the preferred securities.

B. Financial Statements.

Balance sheet of Georgia at March 31, 1997. (Designated in Georgia's Form 10-Q for the quarter ended March 31, 1997, File No. 1-6468.)

Statements of Income of Georgia for the period ended March 31, 1997 (Designated in Georgia's Form 10-Q for the quarter ended March 31, 1997, File No. 1-6468.)

SIGNATURES

Pursuant to the requirements of the Public Utility Holding Company Act of 1935, the undersigned companies have duly caused this amendment to be signed on their behalf by the undersigned thereunto duly authorized.

Date: June 10, 1997

ALABAMA POWER COMPANY

By: _____
Wayne Boston, Assistant Secretary

GEORGIA POWER COMPANY

By: _____
Wayne Boston, Assistant Secretary

GULF POWER COMPANY

By: _____
Wayne Boston, Assistant Secretary

MISSISSIPPI POWER COMPANY

By: _____
Wayne Boston, Assistant Secretary

SAVANNAH ELECTRIC AND POWER COMPANY

By: _____
Wayne Boston, Assistant Secretary

File No. 70-8461

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

AMENDMENT NO. 16
(Post-Effective No. 13)
TO
FORM U-1
APPLICATION OR DECLARATION
under
The Public Utility Holding Company Act of 1935

ALABAMA POWER COMPANY
600 North 18th Street
Birmingham, Alabama 35291

GULF POWER COMPANY
500 Bayfront Parkway
Pensacola, Florida 32501

GEORGIA POWER COMPANY
241 Ralph McGill Boulevard, NE
Atlanta, Georgia 30308

MISSISSIPPI POWER COMPANY
2992 West Beach
Gulfport, Mississippi 39501

SAVANNAH ELECTRIC AND POWER COMPANY
600 East Bay Street
Savannah, Georgia 31401

(Name of company or companies filing this statement
and addresses of principal executive offices)

THE SOUTHERN COMPANY

(Name of top registered holding company parent of each applicant or declarant)

Art P. Beattie, Vice President,
Secretary and Treasurer
Alabama Power Company
600 North 18th Street
Birmingham, Alabama 35291

Warren E. Tate, Secretary
and Treasurer
Gulf Power Company
500 Bayfront Parkway
Pensacola, Florida 32501

Judy M. Anderson, Vice President
and Corporate Secretary
Georgia Power Company
241 Ralph McGill Boulevard, NE
Atlanta, Georgia 30308

Michael W. Southern, Vice
President, Secretary and Treasurer
Mississippi Power Company
2992 West Beach
Gulfport, Mississippi 39501

Kirby R. Willis, Vice President, Treasurer
and Chief Financial Officer
Savannah Electric and Power Company
600 East Bay Street
Savannah, Georgia 31401

(Names and addresses of agents for service)

The Commission is requested to mail signed copies of all orders, notices and communications to:

W. L. Westbrook
Financial Vice President
The Southern Company
270 Peachtree Street, NW
Atlanta, Georgia 30303

John D. McLanahan, Esq.
Troutman Sanders LLP
600 Peachtree Street, N.E.
Suite 5200
Atlanta, Georgia 30308-2216

ITEM 1. DESCRIPTION OF PROPOSED TRANSACTIONS.

"It is considered that the record is now complete with respect to the issuance by Gulf Power Capital Trust II and Gulf Power Capital Trust III of $50,000,000 aggregate liquidation amount of Trust Preferred Securities and the related issuance by Gulf of the related series of Junior Subordinated Notes and the Guarantees. The terms of such Trust Preferred Securities, Junior Subordinated Notes and Guarantees will be as particularly described in Amendment No. 11 previously filed herein.

The applicants request that the Commission continue to reserve jurisdiction, pending completion of the record, over the issuance and sale of preferred securities through December 31, 2005, as follows: $500,000,000 for Alabama; $310,750,000 for Georgia; $75,000,000 for Mississippi; and $40,000,000 for Savannah.

As described in Amendment No. 11, each Trust will issue only one series of Trust Preferred Securities (the "Trust Preferred Securities") and the distribution rate to be borne by the Trust Preferred Securities will not exceed 12.5% per annum (expressed as a percentage of liquidation amount) and shall also be the distribution rate for the Trust Common Securities and the interest rate for the related Junior Subordinated Notes (the "Securities Rate"). The Junior Subordinated Notes will have a maturity of up to 50 years and will not be convertible into any other securities or assets of Gulf or the Trust. In addition, in view of the fact that the proceeds of the sale of the Trust Preferred Securities will be loaned to Gulf, Gulf will agree to pay the underwriters' compensation for their services in an amount not exceeding 4% of the aggregate liquidation amount of such Trust Preferred Securities."

ITEM 2. FEES, COMMISSIONS AND EXPENSES.

The estimated fees and expenses to be incurred by Gulf in connection herewith are as follows:

	Initial Issuance	Each Additional Issuance
* Florida Documentary Stamp Tax	$ 665,000	$ —
* Florida intangible personal property tax	28,500	—
* Filing fees - Securities and Exchange Commission	56,050	—
Fees and Expenses of Trustees	9,500	9,500
* Listing on New York Stock Exchange	58,300	—
Printing charges	40,000	10,000
Rating Agency Fees	37,000	20,000
Services of Southern Company Services, Inc.	40,000	10,000
Fees and Expenses of counsel	65,000	35,000
Blue sky fees and expenses	3,500	3,500
Fees of accountants, Arthur Andersen LLP	40,000	20,000
Miscellaneous	17,150	7,000
TOTAL	$1,060,000	$115,000

*These catagories of expenses are a function of the amount of issuance.

ITEM 3. APPLICABLE STATUTORY PROVISIONS.

3.2 Rule 54 Analysis: The proposed transaction is also subject to Rule 54, which provides that, in determining whether to approve an application which does not relate to any "exempt wholesale generator" ("EWG") or "foreign utility company" ("FUCO"), the Commission shall not consider the effect of the capitalization or earnings of any such EWG or FUCO which is a subsidiary of a registered holding company if the requirements of Rule 53(a), (b) and (c) are satisfied.

Southern currently meets all of the conditions of Rule 53(a), except for clause (1). At December 31, 1997, Southern's "aggregate investment," as defined in Rule 53(a)(1), in EWGs and FUCOs was approximately $2.795 billion, or about 74.06% of Southern's "consolidated retained earnings," also as defined in Rule 53(a)(1), for the four quarters ended September 30, 1997 ($3,774 million). With respect to Rule 53(a)(1), however, the Commission has determined that Southern's financing of investments in EWGs and FUCOs in an amount greater than the amount that would otherwise be allowed by Rule 53(a)(1) would

not have either of the adverse effects set forth in Rule 53(c). See *The Southern Company*, Holding Company Act Release No. 16501, dated April 1, 1996 (the "Rule 53(c) Order"); and Holding Company Act Release No. 26646, dated January 15, 1997 (order denying request for reconsideration and motion to stay).

In addition, Southern has complied and will continue to comply with the record-keeping requirements of Rule 53(a)(2), the limitation under Rule 53(a)(3) on the use of Operating Company personnel to render services to EWGs and FUCOs, and the requirements of Rule 53(a)(4) concerning the submission of copies of certain filings under the Act to retail rate regulatory commissions. Further, none of the circumstances described in Rule 53(b) has occurred.

Moreover, even if the effect of the capitalization and earnings of EWGs and FUCOs in which Southern has an ownership interest upon the Southern holding company system were considered, there is no basis for the Commission to withhold or deny approval for the proposal made in this Application-Declaration. The action requested in the instant filing (*viz.* Issuance of preferred securities by Gulf Power Capital Trust II and Gulf Power Capital Trust III) would not, by itself, or even considered in conjunction with the effect of the capitalization and earnings of Southern's EWGs and FUCOs, have a material adverse effect on the financial integrity of the Southern system, or an adverse impact on Southern's public-utility subsidiaries, their customers, or the ability of State commissions to protect such public-utility customers.

The Rule 53(c) Order was predicated, in part, upon an assessment of Southern's overall financial condition which took into account, among other factors, Southern's consolidated capitalization ratio and the recent growth trend in Southern's retained earnings. As of December 31, 1995, the most recent fiscal year preceding the Rule 53(c) Order, Southern's consolidated capitalization consisted of 49.3% equity (including mandatorily redeemable preferred securities) and 50.7% debt (including $1.68 billion of long-term, non-recourse debt and short-term debt related to EWGs and FUCOs). As of year-end 1996, that ratio was 52.9% equity and 47.1% debt

(including $1.74 billion of long-term, non-recourse debt and short-term debt related to EWGs and FUCOs); and as of September 30, 1997, the comparable ratio was 48.9% equity and 51.1% debt (including $4.354 billion of long-term, non-recourse debt and short-term debt related to EWGs and FUCOs). On a *pro forma* basis, taking into consideration, among other things, the transactions contemplated hereby such ratios are 48.4% and 51.6%, respectively, for equity and debt. The common equity component of Southern's pro forma consolidated capitalization represents 38.1% of total capitalization at September 30, 1997. Thus, since the date of the Rule 53(c) Order, there has been no material change in Southern's consolidated capitalization ratio, which remains within acceptable ranges and limits of rating agencies as evident by the continued "A" corporate credit rating of Southern. Specifically, in January 1997 Standard & Poor's assigned Southern its corporate credit rating of "A" which was consistent with the implied corporate rating previously held by Southern. This implied rating had been in effect since May 1995. Therefore, since the April 1996 issue of the Rule 53(c) Order, the Southern consolidated credit rating has remained at "A" thereby demonstrating Southern's continued strong financial integrity. In addition, the underlying ratings of the affiliated operating companies, which have a strong influence on the Southern corporate rating, are all "A+". As a point of reference, the consolidated pro forma percentage of debt in the total capital structure of the Southern domestic operating utility companies is 41.1%, which is solidly below the median total debt ratio of the Standard & Poor's "A" rated vertically integrated utilities.[1]

[1] Currently, capitalization ratios, including short-term debt, for "A" rated vertically integrated electric utilities have a median total debt to total capital ratio of 45% as noted by Standard & Poor's in May 1997 for companies rated both publicly and confidentially. Prior to issuing this rating standard, the Standard & Poor's total debt to total capital benchmark for an "A" rated vertically integrated investor-owned-utility having an average business position was 47%.

Southern's consolidated retained earnings grew on average approximately 8.8% per year from 1991 through 1995. In 1996, consolidated retained earnings increased $280,365,000, or slightly more than 8%. The small reduction in the rate of earnings growth was primarily attributable to reduced domestic utility sales due to mild weather conditions throughout most of 1996 in the southeastern United States Earnings attributable to Southern's investments in EWGs and FUCOs continued to contribute modestly to consolidated retained earnings.

Accordingly, since the date of the Rule 53(c) Order, the capitalization and earnings attributable to Southern's investments in EWGs and FUCOs has not had any adverse impact on Southern's financial integrity.

Reference is made to Exhibit I filed herewith which reflects capitalization at September 30, 1997 and the Statement of Income for the twelve months ended September 30, 1997 for Southern and subsidiaries consolidated.

ITEM 6. EXHIBITS AND FINANCIAL STATEMENTS.

A. Exhibits:

A-1 - Trust Agreement of Gulf Power Capital Trust II. (Designated in Form S-3 File No. 333-19271, as Exhibit 4.6-A.)

A-2 - Trust Agreement of Gulf Power Capital Trust III. (Designated in Form S-3 File No. 333-42033, as Exhibit 4.6-B.)

A-3 - Form of Amended and Restated Trust Agreement for Gulf Power Capital Trust II. (Designated in Form S-3 File No. 333-19271, as Exhibit 4.7-A.)

A-4 - Form of Amended and Restated Trust Agreement for Gulf Power Capital Trust III. (Designated in Form S-3 File No. 333-42033, as Exhibit 4.7-B.)

B-1 - Subordinated Note Indenture between Gulf Power Company and The Chase Manhattan Bank, as Trustee. (Designated in Gulf's Current Report on Form 8-K dated January 27, 1997 as Exhibit 4.1)

B-2 - Form of Supplemental Indenture to Subordinated Note Indenture between Gulf Power Company and The Chase Manhattan Bank, as Trustee. (Designated in Form S-3 File No. 333-19271, as Exhibit 4.2-A.)

B-3 - Forms of Guarantee with respect to Preferred Securities of Gulf Power Capital Trust II and Gulf Power Capital Trust III. (Designated in Form S-3 File No. 333-19271, as Exhibit 4.11-A and in Form S-3 File No. 333-42033, as Exhibit 4.11-B.)

C-1 - Registration Statement under the Securities Act of 1933. (Filed electronically December 11, 1997, File Nos. 333-42033, 333-42033-01 and 333-42033-02.)

I - Capitalization and Income Statement of The Southern Company and Subsidiary Companies after giving effect to the issuance of the preferred securities.

B. Financial Statements.

Balance sheet of Gulf at September 30, 1997. (Designated in Gulf's Form 10-Q for the quarter ended September 30, 1997, File No. 0-2429.)

Statements of Income of Gulf for the period ended September 30, 1997 (Designated in Gulf's Form 10-Q for the quarter ended September 30, 1997, File No. 0-2429.)

SIGNATURES

Pursuant to the requirements of the Public Utility Holding Company Act of 1935, the undersigned companies have duly caused this amendment to be signed on their behalf by the undersigned thereunto duly authorized.

Date: January 14, 1998

ALABAMA POWER COMPANY

By: _____
Wayne Boston, Assistant Secretary

GEORGIA POWER COMPANY

By: _____
Wayne Boston, Assistant Secretary

GULF POWER COMPANY

By: _____
Wayne Boston, Assistant Secretary

MISSISSIPPI POWER COMPANY

By: _____
Wayne Boston, Assistant Secretary

SAVANNAH ELECTRIC AND POWER COMPANY

By: _____
Wayne Boston, Assistant Secretary

Exhibit 1

THE SOUTHERN COMPANY AND SUBSIDIARY COMPANIES
Capitalization Ratios at September 30, 1997

	Consolidated per 10-Q	Pro Forma Amounts (A)	Equity	Debt
Capitalization (in thousands of dollars):				
Common stock	$3,447,958	$ -	$3,447,958	
Paid-in capital	2,265,204	-	2,265,204	
Retained earnings	3,875,410	(19,302) [A]	3,856,108	
Preferred stock	695,702	67,745 [B]	763,447	
Capital & preferred securities	1,742,020	50,000 [D]	1,792,020	
Long-term debt	10,055,279	359,070 [B]		$10,414,349
Preferred due within one year	28,913	-	28,913	
Long-term debt due within one year	679,670	-		679,670
Notes payable & commercial paper	1,871,505	-		1,871,505
Total (Incl Amts Due in 1 Year)	$24,661,661	$457,513	$12,153,650	$12,965,524
Actual Amounts in Millions of Dollars	**$24,661**		**$12,055**	**$12,606**
Actual Capitalization Ratios	**100.0%**		**48.9%**	**51.1%**
Pro Forma Amounts in Millions of Dollars	**$25,120**		**$12,154**	**$12,966**
Pro Forma Capitalization Ratios	**100.0%**		**48.4%**	**51.6%**

Pro Forma Consolidated Statements of Income (Unaudited)
(Stated in Thousands of Dollars)

	For the Twelve Months Ended September 30, 1997	Pro Forma Amounts (A)	As Adjusted
OPERATING REVENUES	$ 11,805,284	$ -	$ 11,805,284
OPERATING EXPENSES:			
Operation--			
Fuel	2,241,717	-	2,241,717
Purchased power	2,415,542	-	2,415,542
Other	1,836,972	-	1,836,972
Maintenance	795,769	-	795,769
Depreciation and amortization	1,186,509	-	1,186,509
Amortization of deferred Plant Vogtle costs	148,371	-	148,371
Taxes other than income taxes	585,649	-	585,649
Income taxes	717,808	(10,126) [C]	707,682
Total operating expenses	9,928,337	(10,126)	9,918,211
OPERATING INCOME	1,876,947	10,126	1,887,073
OTHER INCOME:			
Allowance for equity funds used during construction	5,992	-	5,992
Interest income	92,549	-	92,549
Other, net	(124,970)	-	(124,970)
Income taxes applicable to other income	14,359	-	14,359
INCOME BEFORE INTEREST CHARGES	1,864,877	10,126	1,875,003
INTEREST CHARGES AND OTHER:			
Interest on long-term debt	618,529	22,749 [C]	641,278
Allowance for debt funds used during construction	(14,306)	-	(14,306)
Interest on notes payable	93,746	-	93,746
Amortization of debt discount, premium and expense, net	22,431	-	22,431
Other interest charges	50,863	-	50,863
Minority interest in subsidiaries	21,479	-	21,479
Distributions on capital and preferred securities of subsidiary companies	94,817	3,500 [D]	98,317
Preferred dividends of subsidiary companies	61,313	(1,832) [C]	59,481
Interest charges and other, net	948,872	24,417	973,289
CONSOLIDATED NET INCOME	$ 916,005	$ (14,291)	$ 901,714

(See Notes on Following Page)

NOTES

(A) The amounts and types of the securities to be issued by Gulf Power Company will be dependent upon, among other things, market conditions prevailing at the time of issuance. The amounts estimated to be issued are the maximum amounts requested in the subject application and are used solely for the purpose of illustrating the effect upon Southern Company consolidated capitalization and earnings. In addition, no assumptions are made in connection with possible refundings.

(B) To give effect to (i) the proposed issuance by Gulf Power Company of $200,000,000 of first mortgage bonds, $200,000,000 of preferred stock, and $159,070,000 of pollution control obligations and (ii) the collective retirements of $132,255,000 of preferred stock at various rates by Alabama Power Company, Georgia Power Company, Gulf Power Company and Mississippi Power Company in connection with tender offers on December 10, 1997 and fees and expenses recorded therefrom.

(C) To give effect to (i) the proposed issuance by Gulf Power Company of $200,000,000 of first mortgage bonds at an assumed rate of 7%, $200,000,000 of preferred stock at an assumed rate of 6-½%, and $159,070,000 of pollution control obligations at an assumed rate of 5-½% and (ii) the collective retirements of $132,255,000 of preferred stock at various rates by Alabama Power Company, Georgia Power Company, Gulf Power Company and Mississippi Power Company in connection with tender offers on December 10,1997 and net gains and fees recorded therefrom.

(D) To give effect to the proposed issuance of $50,000,000 of preferred securities which is contemplated in this Form U-1 application.

File No. 70-8461

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

AMENDMENT NO. 17
(Post-Effective No. 14)
TO
FORM U-1
APPLICATION OR DECLARATION
under
The Public Utility Holding Company Act of 1935

ALABAMA POWER COMPANY
600 North 18th Street
Birmingham, Alabama 35291

GULF POWER COMPANY
500 Bayfront Parkway
Pensacola, Florida 32501

GEORGIA POWER COMPANY
241 Ralph McGill Boulevard, NE
Atlanta, Georgia 30308

MISSISSIPPI POWER COMPANY
2992 West Beach
Gulfport, Mississippi 39501

SAVANNAH ELECTRIC AND POWER COMPANY
600 East Bay Street
Savannah, Georgia 31401

(Name of company or companies filing this statement
and addresses of principal executive offices)

THE SOUTHERN COMPANY

(Name of top registered holding company parent of each applicant or declarant)

Art P. Beattie, Vice President,
Secretary and Comptroller
Alabama Power Company
600 North 18th Street
Birmingham, Alabama 35291

Warren E. Tate, Secretary
and Treasurer
Gulf Power Company
500 Bayfront Parkway
Pensacola, Florida 32501

Judy M. Anderson, Vice President
and Corporate Secretary
Georgia Power Company
241 Ralph McGill Boulevard, NE
Atlanta, Georgia 30308

Michael W. Southern Vice
President, Secretary and Treasurer
Mississippi Power Company
2992 West Beach
Gulfport, Mississippi 39501

Kirby R. Willis, Vice President, Treasurer
and Chief Financial Officer
Savannah Electric and Power Company
600 East Bay Street
Savannah, Georgia 31401

(Names and addresses of agents for service)

The Commission is requested to mail signed copies of all orders, notices and communications to:

W. L. Westbrook
Financial Vice President
The Southern Company
270 Peachtree Street, NW
Atlanta, Georgia 30303

John D. McLanahan, Esq
Troutman Sanders LLP
600 Peachtree Street, N.E.
Suite 5200
Atlanta, Georgia 30308-2216

ITEM 1. DESCRIPTIO.. OF PROPOSED TRANSACTIONS.

"It is considered that the record is now complete with respect to the issuance by Alabama Power Capital Trust III, Alabama Power Capital Trust IV and Alabama Power Capital Trust V of $500,000,000 aggregate liquidation amount of Trust Preferred Securities and the related issuance by Alabama of the related series of Junior Subordinated Notes and the Guarantees. It is further considered that the record is now complete with respect to the issuance by Georgia Power Capital Trust IV, Georgia Power Capital Trust V and Georgia Power Capital Trust VI of $310,750,000 aggregate liquidation amount of Trust Preferred Securities and the related issuance by Georgia of the related series of Junior Subordinated Notes and the Guarantees. It is further considered that the record is now complete with respect to the issuance by Mississippi Power Capital Trust II and Mississippi Power Capital Trust III of $75,000,000 aggregate liquidation amount of Trust Preferred Securities and the related issuance by Mississippi of the related series of Junior Subordinated Notes and the Guarantees. The terms of such Trust Preferred Securities, Junior Subordinated Notes and Guarantees will be as particularly describ.d in Amendment No. 10 in the case of Alabama, in Amendment No. 9 in the case of Georgia and in Amendment No. 12 in the case of Mississippi, all previously filed herein.

The applicants request that the Commission continue to reserve jurisdiction, pending completion of the record, over the issuance and sale through December 31 2005 by Savannah of $40,000,000 of preferred securities.

As described in each amendment referenced above, each Trust will issue only one series of Trust Preferred Securities (the "Trust Preferred Securities") and the distribution rate to be borne by the Trust Preferred Securities will not exceed 12 5% per annum (expressed as a percentage of liquidation amount) and shall also be the distribution rate for the Trust Common

Securities and the interest rate for the related Junior Subordinated Notes (the "Securities Rate") The Junior Subordinated Notes will have a maturity of up to 50 years and will not be convertible into any other securities or assets of the respective applicant or the Trust In addition, in view of the fact that the proceeds of the sale of the Trust Preferred Securities will be loaned to the respective applicant, such applicant will agree to pay the underwriters' compensation for their services in an amount not exceeding 4% of the aggregate liquidation amount of such Trust Preferred Securities."

ITEM 2. FEES, COMMISSIONS AND EXPENSES

The estimated fees and expenses to be incurred by Alabama in connection herewith are as follows:

	Initial Issuance	Each Additional Issuance
*Filing fees - Securities and Exchange Commission	$227,273	$ —
Fees and Expenses of Trustees	9,500	9,500
*Listing on New York Stock Exchange	135,300	—
Printing charges	40,000	15,000
Rating Agency Fees	107,000	65,000
Services of Southern Company Services, Inc.	30,000	15,000
Fees and Expenses of counsel	90,000	65,000
Blue sky fees and expenses	3,500	3,500
Fees of accountants, Arthur Andersen LLP	42,000	25,000
Miscellaneous	17,150	7,000
TOTAL	$700,000	$205,000

*These categories of expenses are a function of the amount of issuance.

The estimated fees and expenses to be incurred by Georgia in connection herewith are as follows:

	Initial Issuance	Each Additional Issuance
*Filing fees - Securities and Exchange Commission	$295,000	$ —
Fees and Expenses of Trustees	9,500	9,500
*Listing on New York Stock Exchange	170,300	—
Printing charges	40,000	15,000
Rating Agency Fees	137,000	120,000
Services of Southern Company Services, Inc.	30,000	15,000
Fees and Expenses of counsel	40,000	25,000
Blue sky fees and expenses	3,500	3,500
Fees of accountants, Arthur Andersen LLP	42,000	25,000
Miscellaneous	12,200	7,000
TOTAL	$770,000	$220,000

*These categories of expenses are a function of the amount of issuance.

The estimated fees and expenses to be incurred by Mississippi in connection herewith are as follows:

	Initial Issuance	Each Additional Issuance
*Filing fees - Securities and Exchange Commission	$118,000	$ —
Fees and Expenses of Trustees	9,500	9,500
*Listing on New York Stock Exchange	86,300	—
Printing charges	40,000	10,000
Rating Agency Fees	98,500	27,500
Services of Southern Company Services, Inc.	40,000	10,000
Fees and Expenses of counsel	65,000	35,000
Blue sky fees and expenses	3,500	3,500
Fees of accountants, Arthur Andersen LLP	40,000	20,000
Miscellaneous	11,700	7,000
TOTAL	$520,000	$130,000

*These categories of expenses are a function of the amount of issuance.

ITEM 3. APPLICABLE STATUTORY PROVISIONS.

3.2 Rule 54 Analysis: The proposed transaction is also subject to Rule 54, which provides that, in determining whether to approve an application which does not relate to any "exempt wholesale generator" ("EWG") or "foreign utility company" ("FUCO"), the Commission shall not consider the effect of the capitalization or earnings of any such EWG or FUCO which is a subsidiary of a registered holding company if the requirements of Rule 53(a), (b) and (c) are satisfied.

Southern currently meets all of the conditions of Rule 53(a), except for clause (1) At January 31, 1998, Southern's "aggregate investment," as defined in Rule 53(a)(1), in EWGs and FUCOs was approximately $2.899 billion, or about 76.82% of Southern's "consolidated retained earnings," also as defined in Rule 53(a)(1), for the four quarters ended September 30, 1997 ($3,774 million). With respect to Rule 53(a)(1), however, the Commission has determined that Southern's financing of investments in EWGs and FUCOs in an amount greater than the amount that would otherwise be allowed by Rule 53(a)(1) would not have either of the adverse effects set forth in Rule 53(c). See *The Southern Company*, Holding Company Act Release No. 16501, dated April 1, 1996 (the "Rule 53(c) Order"); and Holding Company Act Release No. 26646, dated January 15, 1997 (order denying request for reconsideration and motion to stay).

In addition, Southern has complied and will continue to comply with the record-keeping requirements of Rule 53(a)(2), the limitation under Rule 53(a)(3) on the use of Operating Company personnel to render services to EWGs and FUCOs, and the requirements of Rule 53(a)(4) concerning the submission of copies of certain filings under the Act to retail rate regulatory commissions. Further, none of the circumstances described in Rule 53(b) has occurred

Moreover, even if the effect of the capitalization and earnings of EWGs and FUCOs in which Southern has an ownership interest upon the Southern holding company system were considered, there is no basis for the Commission to withhold or deny approval for the proposal made in this Application-Declaration. The action requested in the instant filing (*viz.* Issuance of preferred securities by Alabama Power Capital Trust III, Alabama Power Capital Trust IV, Alabama Power Capital Trust V, Georgia Power Capital Trust IV, Georgia Power Capital Trust V, Georgia Power Capital Trust VI, Mississippi Power Capital Trust II and Mississippi Power Capital Trust III) would not, by itself, or even considered in conjunction with the effect of the capitalization and earnings of Southern's EWGs and FUCOs, have a material adverse effect on the financial integrity of the Southern system, or an adverse impact on Southern's public-utility subsidiaries, their customers, or the ability of State commissions to protect such public-utility customers.

The Rule 53(c) Order was predicated, in part, upon an assessment of Southern's overal' financial condition which took into account, among other factors, Southern's consolidated capitalization ratio and the recent growth trend in Southern's retained earnings. As of December 31, 1995, the most recent fiscal year preceding the Rule 53(c) Order, Southern's consolidated capitalization consisted of 49.3% equity (including mandatorily redeemable preferred securities) and 50.7% debt (including $1.68 billion of long-term, non-recourse debt and short-term debt related to EWGs and FUCOs). As of year-end 1996, that ratio was 52.9% equity and 47.1% debt (including $1.74 billion of long-term, non-recourse debt and short-term debt related to EWGs and FUCOs); and as of September 30, 1997, the comparable ratio was 48.9% equity and 51.1% debt (including $4.354 billion of long-term, non-recourse debt and short-term debt related to EWGs and FUCOs). On a *pro forma* basis, taking into consideration, among other things, the

transactions contemplated hereby such ratios are 50.1% and 49.9%, respectively, for equity and debt. The common equity component of Southern's pro forma consolidated capitalization represents 36.7% of total capitalization at September 30, 1997. Thus, since the date of the Rule 53(c) Order, there has been no material change in Southern's consolidated capitalization ratio, which remains within acceptable ranges and limits of rating agencies as evident by the continued "A" corporate credit rating of Southern. Specifically, in January 1997 Standard & Poor's assigned Southern its corporate credit rating of "A" which was consistent with the implied corporate rating previously held by Southern. This implied rating had been in effect since May 1995. Therefore, since the April 1996 issue of the Rule 53(c) Order, the Southern consolidated credit rating has remained at "A" thereby demonstrating Southern's continued strong financial integrity. In addition, the underlying ratings of the affiliated operating companies, which have a strong influence on the Southern corporate rating, are all "A+". As a point of reference, the pro forma percentage of debt in the total capital structure of the Southern domestic operating utility companies is 40.1%, which is solidly below the median total debt ratio of the Standard & Poor's "A" rated vertically integrated utilities.[1]

Southern's consolidated retained earnings grew on average approximately 8% per year from 1991 through 1995. In 1996, consolidated retained earnings increased $280,365,000, or slightly more than 8%. The small reduction in the rate of earnings growth was primarily attributable to reduced domestic utility sales due to mild weather conditions throughout most of

[1] Currently, capitalization ratios, including short-term debt, for "A" rated vertically integrated electric utilities have a median total debt to total capital ratio of 45% as noted by Standard & Poor's in May 1997 for companies rated both publicly and confidentially. Prior to issuing this rating standard, the Standard & Poor's total debt to total capital benchmark for an "A" rated vertically integrated investor-owned-utility having an average business position was 47%.

1996 in the southeastern United States. Earnings attributable to Southern's investments in EWGs and FUCOs continued to contribute modestly to consolidated retained earnings

Accordingly, since the date of the Rule 53(c) Order, the capitalization and earnings attributable to Southern's investments in EWGs and FUCOs has not had any adverse impact on Southern's financial integrity.

Reference is made to Exhibit I filed herewith which reflects capitalization at September 30, 1997 and the Statement of Income for the twelve months ended September 30, 1997 for Southern and subsidiaries consolidated.

ITEM 6. EXHIBITS AND FINANCIAL STATEMENTS.

A. Exhibits:

A-1 - Trust Agreement of Alabama Power Capital Trust III. (Designated in Form S-3 File No. 333-17333, as Exhibit 4.4-B.)

A-2 - Trust Agreement of Alabama Power Capital Trust IV. (Designated in Form S-3 File No. 333-17333, as Exhibit 4 4-C.)

A-3 - Trust Agreement of Alabama Power Capital Trust V. (Designated in Form S-3 File No. 333-40629, as Exhibit 4.6-C.)

A-4 - Trust Agreement of Georgia Power Capital Trust IV. (Designated in Form S-3 File No. 333-43895, as Exhibit 4 6-A.)

A-5 - Trust Agreement of Georgia Power Capital Trust V (Designated in Form S-3 File No. 333-43895, as Exhibit 4.6-B.)

A-6 - Trust Agreement of Georgia Power Capital Trust VI. (Designated in Form S-3 File No. 333-43895, as Exhibit 4 6-C)

A-7 - Trust Agreement of Mississippi Power Capital Trust II. (Designated in Form S-3 File No. 333-20469, as Exhibit 4.4-B.)

A-8 - Trust Agreement of Mississippi Power Capital Trust III. (Designated in Form S-3 File No. 333-45069, as Exhibit 4.6-B.)

A-9 - Form ... Amended and Restated Trust Agreement for Alabama Power Capital Trust III. (Designated in Form S-3 File No. 333-17333, as Exhibit 4.5-B.)

A-10 - Form of Amended and Restated Trust Agreement for Alabama Power Capital Trust IV. (Designated in Form S-3 File No. 333-17333, as Exhibit 4.5-C.)

A-11 - Form of Amended and Restated Trust Agreement for Alabama Power Capital Trust V. (Designated in Form S-3 File No. 333-40629, as Exhibit 4.7-C.)

A-12 - Form of Amended and Restated Trust Agreement for Georgia Power Capital Trust IV. (Designated in Form S-3 File No. 333-43895, as Exhibit 4.7-A.)

A-13 - Form of Amended and Restated Trust Agreement for Georgia Power Capital Trust V. (Designated in Form S-3 File No. 333-43895, as Exhibit 4.7-B.)

A-14 - Form of Amended and Restated Trust Agreement for Georgia Power Capital Trust VI. (Designated in Form S-3 File No. 333-43895, as Exhibit 4.7-C.)

A-15 - Form of Amended and Restated Trust Agreement for Mississippi Power Capital Trust II. (Designated in Form S-3 File No. 333-20469, as Exhibit 4.5-B.)

A-16 - Form of Amended and Restated Trust Agreement for Mississippi Power Capital Trust III. (Designated in Form S-3 File No. 333-45069, as Exhibit 4.7-B.)

B-1 - Subordinated Note Indenture between Alabama Power Company and The Chase Manhattan Bank, as Trustee (Designated in Alabama's Current Report on Form 8-K dated January 9, 1997 as Exhibit 4.1)

B-2 - Subordinated Note Indenture between Georgia Power Company and The Chase Manhattan Bank, as Trustee. (Designated in Georgia's Current Report on Form 8-K dated August 21, 1996 as Exhibit 4.1)

B-3 - Subordinated Note Indenture between Mississippi Power Company and Bankers Trust Company, as Trustee. (Designated in Mississippi's Current Report on Form 8-K dated February 20, 1997 as Exhibit 4.1)

B-4 - Form of Supplemental Indenture to Subordinated Note Indenture between Alabama Power Company and The Chase Manhattan Bank, as Trustee. (Designated in Form S-3 File No. 333-17333, as Exhibit 4.2.)

B-5 - Form of Supplemental Indenture to Subordinated Note Indenture between Georgia Power Company and The Chase Manhattan Bank, as Trustee. (Designated in Form S-3 File No. 333-06037, as Exhibit 4.2.)

B-6 - Form of Supplemental Indenture to Subordinated Note Indenture between Mississippi Power Company and Bankers Trust Company, as Trustee. (Designated in Form S-3 File No. 333-20469, as Exhibit 4.2-A.)

B-7 - Forms of Guarantee with respect to Preferred Securities of Alabama Power Capital Trust III, Alabama Power Capital Trust IV and Alabama Power Capital Trust V. (Designated in Form S-3 File No. 333-17333, as Exhibits 4.8-B and 4.8-C and in Form S-3 File No. 333-40629, as Exhibit 4.11-C.)

B-8 - Forms of Guarantee with respect to Preferred Securities of Georgia Power Capital Trust IV, Georgia Power Capital Trust V and Georgia Power Capital Trust VI. (Designated in Form S-3 File No. 333-43895, as Exhibits 4.11-A, 4.11-B and 4.11-C.)

B-9 - Forms of Guarantee with respect to Preferred Securities of Mississippi Power Capital Trust II and Mississippi Power Capital Trust III. (Designated in Form S-3 File No. 333-20469, as Exhibit 4.8-B and in Form S-3 File No. 333-45069, as Exhibit 4.11-B.)

C-1 - Alabama's Registration Statement under the Securities Act of 1933. (Filed electronically November 20, 1997, File Nos. 333-40629, 333-40629-01, 333-40629-02 and 333-40629-03.)

C-2 - Georgia's Registration Statement under the Securities Act of 1933. (Filed electronically January 8, 1998, File Nos. 333-43895, 333-43895-01, 333-43895-02 and 333-43895-03.)

C-3 - Mississippi's Registration Statement under the Securities Act of 1933. (Filed electronically February 28, 1998, File Nos. 333-45069, 333-45069-01 and 333-45069-02.)

I - Capitalization and Income Statement of The Southern Company and Subsidiary Companies after giving effect to the issuance of the preferred securities.

B. Financial Statements.

Balance sheet of Alabama at September 30, 1997. (Designated in Alabama's Form 10-Q for the quarter ended September 30, 1997, File No 1-3164)

Balance sheet of Georgia at September 30, 1997. (Designated in Georgia's Form 10-Q for the quarter ended September 30, 1997, File No. 1-6468.)

Balance sheet of Mississippi at September 30, 1997. (Designated in Mississippi's Form 10-Q for the quarter ended September 30, 1997, File No. 0-6849.)

Statements of Income of Alabama for the period ended September 30, 1997 (Designated in Alabama's Form 10-Q for the quarter ended September 30, 1997, File No. 1-3164.)

Statements of Income of Georgia for the period ended September 30, 1997. (Designated in Georgia's Form 10-Q for the quarter ended September 30, 1997, File No. 1-6468.)

Statements of Income of Mississippi for the period ended September 30, 1997. (Designated in Mississippi's Form 10-Q for the quarter ended September 30, 1997, File No. 0-6849.)

SIGNATURES

Pursuant to the requirements of the Public Utility Holding Company Act of 1935, the undersigned companies have duly caused this amendment to be signed on their behalf by the undersigned thereunto duly authorized.

Date: February 4, 1998

ALABAMA POWER COMPANY

By: _____
Wayne Boston, Assistant Secretary

GEORGIA POWER COMPANY

By: _____
Wayne Boston, Assistant Secretary

GULF POWER COMPANY

By: _____
Wayne Boston, Assistant Secretary

MISSISSIPPI POWER COMPANY

By: _____
Wayne Boston, Assistant Secretary

SAVANNAH ELECTRIC AND POWER COMPANY

By: _____
Wayne Boston, Assistant Secretary

Exhibit I

THE SOUTHERN COMPANY AND SUBSIDIARY COMPANIES
Capitalization Ratios at September 30, 1997

	Consolidated per 10-Q	Pro Forma Amounts (A)	Equity	Debt
Capitalization (in thousands of dollars):				
Common stock	$3,447,958	$ -	$3,447,958	
Paid-in capital	2,265,204	-	2,265,204	
Retained earnings	3,875,410	(59,266) (B)	3,816,144	
Preferred stock	695,702	67,745 (B)	763,447	
Capital & preferred securities	1,742,020	935,750 (B) (D)	2,677,770	
Long-term debt	10,055,279	359,070 (B)		$10,414,349
Preferred due within one year	28,913	-	28,913	
Long-term debt due within one year	679,670	-		679,670
Notes payable & commercial paper	1,871,505	-		1,871,505
Total (Incl Amts Due in 1 Year)	$24,661,661	$1,303,299	$12,999,436	$12,965,524
Actual Amounts in Millions of Dollars	**$24,661**		**$12,055**	**$12,606**
Actual Capitalization Ratios	**100.0%**		**48.9%**	**51.1%**
Pro Forma Amounts in Millions of Dollars	**$25,965**		**$12,999**	**$12,966**
Pro Forma Capitalization Ratios	**100.0%**		**50.1%**	**49.9%**

Pro Forma Consolidated Statements of Income (Unaudited)
(Stated in Thousands of Dollars)

	For the Twelve Months Ended September 30, 1997	Pro Forma Amounts (A)	As Adjusted
OPERATING REVENUES	$ 11,805,284	$ -	$ 11,805,284
OPERATING EXPENSES:			
Operation--			
Fuel	2,241,717	-	2,241,717
Purchased power	2,415,542	-	2,415,542
Other	1,836,972	-	1,836,972
Maintenance	795,769	-	795,769
Depreciation and amortization	1,186,509	-	1,186,509
Amortization of deferred Plant Vogtle costs	148,371	-	148,371
Taxes other than income taxes	585,649	-	585,649
Income taxes	717,808	(34,391) (C)	683,417
Total operating expenses	9,928,337	(34,391)	9,893,946
OPERATING INCOME	1,876,947	34,391	1,911,338
OTHER INCOME:			
Allowance for equity funds used during construction	5,992	-	5,992
Interest income	92,549	-	92,549
Other, net	(124,970)	-	(124,970)
Income taxes applicable to other income	14,359	-	14,359
INCOME BEFORE INTEREST CHARGES	1,864,877	34,391	1,899,268
INTEREST CHARGES AND OTHER:			
Interest on long-term debt	618,529	22,749 (C)	641,278
Allowance for debt funds used during construction	(14,306)	-	(14,306)
Interest on notes payable	93,746	-	93,746
Amortization of debt discount, premium and expense, net	22,431	-	22,431
Other interest charges	50,863	-	50,863
Minority interest in subsidiaries	21,479	-	21,479
Distributions on capital and preferred securities of subsidiary companies	94,817	67,729 (C) (D)	162,546
Preferred dividends of subsidiary companies	61,313	(1,832) (C)	59,481
Interest charges and other, net	948,872	88,646	1,037,518
CONSOLIDATED NET INCOME	$ 916,005	$ (54,255)	$ 861,750

(See Notes on Following Page)

NOTES

(A) The amounts and types of the securities to be issued will be dependent upon, among other things, market conditions prevailing at the time of issuance. The amounts estimated to be issued are the maximum amounts requested in the subject application, together with remaining authorizations in certain previous applications, and are used solely for the purpose of illustrating the effect upon Southern Company consolidated capitalization and earnings. In addition, no assumptions are made in connection with possible refundings.

(B) To give effect to (i) the issuance in January 1998 by Gulf Power Company of $45,000,000 of 7% Trust Preferred Securities; (ii) the proposed issuance by Gulf Power Company of $5,000,000 additional preferred securities, $200,000,000 of first mortgage bonds, $200,000,000 of preferred stock, and $159,070,000 of pollution control obligations; and (iii) the collective retirements of $132,255,000 of preferred stock at various rates by Alabama Power Company, Georgia Power Company, Gulf Power Company and Mississippi Power Company in connection with tender offers on December 10, 1997 and fees and expenses recorded therefrom.

(C) To give effect to (i) the issuance in January 1998 by Gulf Power Company of $45,000,000 of 7% Trust Preferred Securities; (ii) the proposed issuance by Gulf Power Company of $5,000,000 additional preferred securities at an assumed rate of 7-¼%, $200,000,000 of first mortgage bonds at an assumed rate of 7%, $200,000,000 of preferred stock at an assumed rate of 6-½%, and $159,070,000 of pollution control obligations at an assumed rate of 5-½%; and (iii) the collective retirements of $132,255,000 of preferred stock at various rates by Alabama Power Company, Georgia Power Company, Gulf Power Company and Mississippi Power Company in connection with tender offers on December 10,1997 and net gains and fees recorded therefrom.

(D) To give effect to the proposed issuance of $500,000,000 of preferred securities by Alabama Power Company, the proposed issuance of $310,750,000 preferred securities by Georgia Power Company, and the proposed issuance of $75,000,000 preferred securities by Mississippi Power Company, all of which are contemplated in this Form U-1 application.

CERTIFICATE OF NOTIFICATION

Filed by

GULF POWER COMPANY

Pursuant to orders of the Securities and Exchange Commission dated December 15, 1994, January 17, 1996, August 26, 1996, January 14, 1997 and January 29, 1997 in the matter of File No. 70-8461.

Gulf Power Company (the "Company") hereby certifies to said Commission, pursuant to Rule 24, as follows with respect to the transactions described particularly in Amendment No. 11 (Post-Effective No. 8) herein:

1. On January 31, 1997, the issuance and sale by Gulf Power Capital Trust I , a Delaware statutory business trust (the "Trust"), of 1,600,000 of its 7.625% Trust Preferred Securities (Liquidation amount $25 per Preferred Security) and all transactions relating thereto were carried out in accordance with the terms and conditions of and for the purposes represented by the application, as amended, and of said orders with respect thereto.

2. The issuance by the Company of $41,237,125 aggregate principal amount of its Series A 7.625% Junior Subordinated Notes (the "Junior Subordinated Notes") due December 31, 2036, pursuant to the Supplemental Indenture dated as of January 1, 1997, supplementing the Subordinated Note Indenture dated as of January 1, 1997, between the Company and The Chase Manhattan Bank, as Trustee, was carried out in accordance with the terms and conditions of and for the purposes represented by the application, as amended, and of said orders with respect thereto.

3. The execution by the Company of the Guarantee Agreement, dated as of January 1, 1997, providing for the guarantee by the Company of certain obligations of the Trust in respect of the Trust Preferred Securities was carried out in accordance with the terms and conditions of and for the purposes represented by the application, as amended, and of said orders with respect thereto.

4. Filed herewith are the following exhibits:

Exhibit A - Copy of the prospectus supplement with respect to the Trust Preferred Securities, dated January 27, 1997, and accompanying prospectus dated January 10, 1997. (Filed electronically January 29, 1997, in File Nos. 333-19271, 333-19271-01, and 333-19271-02.)

Exhibit B - Underwriting Agreement dated January 27, 1997. (Designated in Form 8-K dated January 27, 1997, as Exhibit 1.)

Exhibit C - Amended and Restated Trust Agreement dated as of January 1, 1997. (Designated in Form 8-K dated January 27, 1997, as Exhibit 4.5.)

Exhibit D - Subordinated Note Indenture dated as of January 1, 1997, between the Company and The Chase Manhattan Bank, as trustee. (Designated in Form 8-K dated January 27, 1997, as Exhibit 4.1.)

Exhibit E - Supplemental Indenture to the Subordinated Note Indenture dated as of January 1, 1997, between the Company and The Chase Manhattan Bank, as trustee. (Designated in Form 8-K dated January 27, 1997, as Exhibit 4.2.)

Exhibit F - Guarantee Agreement, dated as of January 1, 1997, with respect to Trust Preferred Securities. (Designated in Form 8-K dated January 27, 1997, as Exhibit 4.8.)

Exhibit G - Opinion of Beggs & Lane dated February 10, 1997.

Dated February 10, 1997

GULF POWER COMPANY

By _____
Wayne Boston
Assistant Secretary

BEGGS & LANE

ATTORNEYS AND COUNSELLORS AT LAW

POST OFFICE BOX 12950

PENSACOLA, FLORIDA 32576-2950

Exhibit F

SEVENTH FLOOR BLOUNT BUILDING

3 WEST GARDEN STREET

PENSACOLA, FLORIDA 32501

TELEPHONE 904 432-2481

TELECOPIER 904 469-3330

E DIXIE BEGGS
Retired

BERT H LANE
(1917-1981)

ROBERT P GAINES
W. SPENCER MITCHEM
JAMES M WEBER
ROBERT L CRONGEYER
JOHN F WINDHAM
J. NIXON DANIEL, III
G. EDISON HOLLAND, JR
RALPH A. PETERSON
GARY B LEUCHTMAN
JOHN P DANIEL
JEFFREY A. STONE
JAMES B. CAMPBELL
RUSSELL F. VAN SICKLE
RUSSELL A. BADDERS
GARY W. HUSTON
DAVID J. BARBERIE
MARY JANE TRIES
JAMES J. CRONGEYER, JR.
DAVID L. McGEE

February 10, 1997

Securities and Exchange Commission
Washington, DC 20549

RE. Statement on Form U-1
of Gulf Power Company
(herein call the "Company") et al.
File No. 70-8461

Ladies and Gentlemen:

We have r d the statement on Form U-1, as amended, referred to above and are furnishing this opinion with respect to the issuance and sale by Gulf Power Capital Trust I (the "Trust") of its Trust Preferred Securities and the related issuance by the Company of its Guarantee and Junior Subordinated Notes (all as defined therein)

We are of the opinion that:

(a) the Company is validly organized and duly existing as a corporation under the laws of the State of Maine and is duly admitted to do business under the laws of the States of Florida, Georgia and Mississippi;

(b) the subject transactions have been consummated in accordance with such statement on Form U-1, as amended;

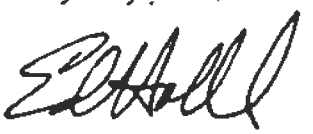
(c) all state laws applicable to such transactions have been complied with;

(d) the Company's obligations with respect to the Guarantee and the Junior Subordinated Notes are valid and binding obligations of the Company in accordance with their terms, and

(e) the consummation of the transactions did not violate the legal rights of the holders of any securities issued by the Company or any associate company thereof.

We hereby give our written consent to the use of this opinion in connection with the above-mentioned statement on Form U-1, as amended, and to the filing thereof with the Commission at the time of the filing by the Company of its certificate pursuant to Rule 24

Very truly yours,



CERTIFICATE OF NOTIFICATION

Filed by

GULF POWER COMPANY

Pursuant to orders of the Securities and Exchange Commission dated December 15, 1994, January 17, 1996, August 26, 1996, January 14, 1997, January 29, 1997, February 5, 1997 and June 10, 1997 in the matter of File No. 70-8461.

Gulf Power Company (the "Company") hereby certifies to said Commission, pursuant to Rule 24, as follows:

1. On August 1, 1997, the issuance by the Company of $20,000,000 aggregate principal amount of its Series B 7.50% Junior Subordinated Notes due June 30, 2037 (the "Junior Subordinated Notes"), pursuant to the Supplemental Indenture dated as of August 1, 1997, supplementing the Subordinated Note Indenture dated as of January 1, 1997, between the Company and The Chase Manhattan Bank, as Trustee, was carried out in accordance with the terms and conditions of and for the purposes represented by the application, as amended, and of said orders with respect thereto.

2. Filed herewith are the following exhibits:

Exhibit A — Copy of the prospectus supplement with respect to the Junior Subordinated Notes, dated July 28, 1997, and accompanying prospectus dated January 10, 1997. (Filed electronically July 29, 1997, in File Nos. 333-19271, 333-19271-01, and 333-19271-02.)

Exhibit B — Underwriting Agreement dated July 28, 1997. (Designated in Form 8-K dated July 28, 1997, as Exhibit 1.)

Exhibit C — Second Supplemental Indenture dated as of August 1, 1997 to the Subordinated Note Indenture dated as of January 1, 1997, between the Company and The Chase Manhattan Bank, as trustee. (Designated in Form 8-K dated July 28, 1997, as Exhibit 4.2.)

Exhibit D — Opinion of Beggs & Lane dated August 11, 1997.

Dated August 11, 1997

GULF POWER COMPANY

By _____
Wayne Boston
Assistant Secretary

Exhibit D

BEGGS & LANE

ATTORNEYS AND COUNSELLORS AT LAW

POST OFFICE BOX 12950

PENSACOLA, FLORIDA 32576-2950

SEVENTH FLOOR BLOUNT BUILDING

3 WEST GARDEN STREET

PENSACOLA, FLORIDA 32501

TELEPHONE (904) 432-2451

TELECOPIER (904) 469-3330

ROBERT P. GAINES
W. SPENCER MITCHEM
JAMES M. WEBER
ROBERT L. CRONGEYER
JOHN F. WINDHAM
J. NIXON DANIEL, III
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MARY JANE THIES
JAMES J. CRONGEYER, JR.
DAVID L. McGEE

E. DIXIE BEGGS
Retired
BERT H. LANE
1917-1981

August 11, 1997

Securities and Exchange Commission
Washington, DC 20549

RE: Statement on Form U-1
of Gulf Power Company
(herein called the "Company") et al.
File No. 70-8461

Ladies and Gentlemen:

We have read the statement on Form U-1, as amended, referred to above and are furnishing this opinion with respect to the issuance and sale by the Company of $20,000,000 aggregate principal amount of its Series B 7.50% Junior Subordinated Notes due June 30, 2037 (the "Junior Subordinated Notes").

We are of the opinion that:

(a) the Company is validly organized and duly existing as a corporation under the laws of the State of Maine and is duly admitted to do business under the laws of the States of Florida, Georgia and Mississippi;

(b) the subject transactions have been consummated in accordance with such statement on Form U-1, as amended;

(c) all state laws applicable to such transactions have been complied with;

(d) the Junior Subordinated Notes are valid and binding obligations of the Company in accordance with their terms; and

(e) the consummation of the transactions did not violate the legal rights of the holders of any securities issued by the Company or any associate company thereof.

We hereby give our written consent to the use of this opinion in connection with the above-mentioned statement on Form U-1, as amended, and to the filing thereof with the Commission at the time of the filing by the Company of its certificate pursuant to Rule 24.

Very truly yours,

Beggs & Lane

EXHIBIT A.13.

Description of Underwriters

$40,000,000 7.625% Series A Trust Preferred Securities

NAME	No. of Securities	NAME	No. of Securities
Goldman, Sachs & Co.	234,000	Advest, Inc.	10,000
Dean Witter Reynolds, Inc.	234,000	Blaylock & Partners, L P	10 000
A. G. Edwards & Sons, Inc.	234,000	Cowen & Company	10,000
The Robinson-Humphrey Co., Inc.	234,000	Dain Bosworth Incorporated	10,000
Smith Barney Inc.	234,000	Fahnestock & Co. Inc.	10,000
Bear, Stearns & Co. Inc.	20,000	McDonald & Company Securities, Inc	10,000
J. C. Bradford & Co.	20,000	McGinn, Smith & Co., Inc	10,000
Alex, Brown & Sons Incorporated	20,000	The Ohio Company	10,000
Donaldson, Lufkin & Jenrette Securities Corp.	20,000	Old Discount Corporation	10,000
EVEREN Securities, Inc.	20,000	Piper Jaffray Inc.	10,000
Interstate/Johnson Lane Corporation	20,000	Principal Financial Securities, Inc.	10,000
Legg Mason Wood Walker, Incorporated	20,000	Siebert & Co., Inc.	10,000
Prudential Securities Incorporated	20,000	Stephens Inc.	10,000
Raymond James & Associates	20,000	Sutro & Co. Incorporated	10,000
Wheat, First Securities	20,000	Trilon Internation Inc.	10,000
		Tucker Anthony Incorporated	10,000
		U.S. Clearing Corp.	10,000

c/o Goldman, Sachs & Co.
85 Broad Street
New York NY 10004

Underwritiers fees: $1,191,000

GULF POWER COMPANY
Summary of Debt Expenses in Conjunction with the
Issuance and Sale of $40,000,000 Principal Amount
7.625% Mandatorily Redeemable Trust Preferred Securities of
Gulf Power Capital Trust I Holding Company Jr. Subordinated Notes Due 2036

Item Number	Issuance Expenses For:	Amount $
1.	Application Listing Fee - Stock Exchange	$23,600.00
2.	Shelf Registration-Securities & Exchange Commission	28,182.00
3.	Charges of Trustee (including Counsel)	4,208.66
4.	Cost of Definitive Bonds	0.00
5.	Printing and Preparation of Registration Statement, Financial Statements, Prospectus, Competitive Bidding Papers, Supplemental Indenture, etc.	83,021.13
6.	Recording Supplemental Indenture	52.50
7.	Florida Documentary Stamp Tax	0.00
8.	Fees and Expenses of Counsel	50,294.91
9.	Fees of Accountants	21,500.00
10.	Fees of Directors	3,000.00
11.	Rating Fees	8,350.00
12.	Expenses of Southern Company Services, Inc.	22,074.69
13.	Miscellaneous Expenses	2,400.08
	Total Expenses of Issue	246,683.99
	Unamortized Discount Expense	1,191,000.00
	Total Cost of Issue	$1,437,683.99

$20,000,000 7.50% Series B Junior Subordinated Notes
due June 30, 2037

GULF POWER COMPANY

UNDERWRITING AGREEMENT

July 28, 1997

The Robinson-Humphrey Company, Inc.
3333 Peachtree Road, N.E.
Atlanta, Georgia 30326

Ladies and Gentlemen:

Gulf Power Company, a Maine corporation (the "Company"), confirms its agreement (the "Agreement") with you and each of the other Underwriters named in Schedule I hereto (collectively, the "Underwriters", which term shall also include any underwriter substituted as hereinafter provided in Section 10 hereof), for whom you are acting as representative (in such capacity, you shall hereinafter be referred to as the "Representative"), with respect to the sale by the Company and the purchase by the Underwriters, acting severally and not jointly, of $20,000,000 aggregate principal amount of the Series B 7.50% Junior Subordinated Notes due June 30, 2037 (the "Junior Subordinated Notes") set forth in Schedule I.

The Company understands that the Underwriters propose to make a public offering of the Junior Subordinated Notes as soon as the Representative deems advisable after this Agreement has been executed and delivered. The Junior Subordinated Notes will be issued pursuant to an indenture, as heretofore supplemented, dated as of January 1, 1997 (the "Base Indenture"), between the Company and The Chase Manhattan Bank, as trustee (the "Debt Trustee"), and a second supplemental indenture to the Base Indenture, dated as of August 1, 1997 (the "Supplemental Indenture," and together with the Base Indenture and any other amendments or supplements thereto, the "Indenture"), between the Company and the Debt Trustee.

SECTION 1. REPRESENTATIONS AND WARRANTIES. The Company represents and warrants to each Underwriter as follows:

(a) A registration statement on Form S-3, as amended (File Nos. 333-19271, 333-19271-01 and 333-

19271-02), in respect of the Junior Subordinated Notes and certain other securities has been prepared and filed in accordance with the provisions of the Securities Act of 1933, as amended (the "1933 Act"), with the Securities and Exchange Commission (the "Commission"); such registration statement, as amended, and any post-effective amendment thereto, each in the form heretofore delivered or to be delivered to you, and to you for each of the other Underwriters, has been declared effective by the Commission in such form (except that copies of the registration statement, as amended, and any post-effective amendment delivered to you for each of the other Underwriters need not include exhibits but shall include all documents incorporated by reference therein); and no stop order suspending the effectiveness of such registration statement has been issued and no proceeding for that purpose has been initiated or, to the best knowledge of the Company, threatened by the Commission (any preliminary prospectus, as supplemented by a preliminary prospectus supplement, included in such registration statement or filed with the Commission pursuant to Rule 424(a) of the rules and regulations of the Commission under the 1933 Act, being hereinafter called a "Preliminary Prospectus"); such registration statement, as it became effective, including the exhibits thereto and all documents incorporated by reference therein pursuant to Item 12 of Form S-3 at the time such registration statement became effective, being hereinafter called the "Registration Statement"; the prospectus relating to the Junior Subordinated Notes, in the form in which it was included in the Registration Statement at the time it became effective, being hereinafter called the "Prospectus"; any reference herein to any Preliminary Prospectus or the Prospectus shall be deemed to refer to and include the documents incorporated by reference therein pursuant to Item 12 of Form S-3 under the 1933 Act, as of the date of such Preliminary Prospectus or Prospectus, as the case may be; any reference to any amendment or supplement to any Preliminary Prospectus or the Prospectus shall be deemed to refer to and include any documents filed after the date of such Preliminary Prospectus or Prospectus, as the case may be, under the Securities Exchange Act of 1934, as amended (the "1934 Act"), and incorporated by reference in such Preliminary Prospectus or Prospectus, as the case may be; any reference to any amendment to the Registration Statement shall be deemed to refer to and include any annual report of the Company filed pursuant to Section 13(a) or 15(d) of the 1934 Act after the effective date of the Registration Statement that is incorporated by reference in the Registration Statement; the Prospectus as supplemented by a

preliminary prospectus supplement dated July 25, 1997 relating to the Junior Subordinated Notes, including any documents incorporated by reference therein as of such date, being hereinafter called the "Preliminary Supplemented Prospectus"; and the Prospectus as amended or supplemented in final form by a prospectus supplement relating to the Junior Subordinated Notes in the form in which it is filed with the Commission, pursuant to Rule 424(b) under the 1933 Act in accordance with Section 3(f) hereof, including any documents incorporated by reference therein as of the date of such filing, being hereinafter called the "Final Supplemented Prospectus").

(b) The documents incorporated by reference in the Registration Statement or Prospectus, when they were filed with the Commission, complied in all material respects with the applicable provisions of the 1934 Act and the rules and regulations of the Commission thereunder, and as of such time of filing, when read together with the Prospectus, none of such documents contained an untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; and any further documents so filed and incorporated by reference in the Prospectus or any further amendment or supplement thereto, when such documents are filed with the Commission, will comply in all material respects with the applicable provisions of the 1934 Act and the rules and regulations of the Commission thereunder and, when read together with the Prospectus as it otherwise may be amended or supplemented, will not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, except that the Company makes no warranty or representation to any Underwriter with respect to: (A) any statements or omissions made in reliance upon and in conformity with information furnished in writing to the Company by an Underwriter through you expressly for use in the Preliminary Supplemented Prospectus or the Final Supplemented Prospectus; or (b) any information set forth in the Preliminary Supplemented Prospectus or the Final Supplemented Prospectus under the caption "Book-Entry-Only Issuance -- The Depository Trust Company".

(c) The Preliminary Supplemented Prospectus, at the time of filing thereof, complied in all material respects with the applicable provisions of the 1933 Act

and the rules and regulations of the Commission thereunder and did not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(d) The Registration Statement, the Prospectus and, to the extent not used to confirm sales of the Junior Subordinated Notes, the Preliminary Supplemented Prospectus, comply, and the Final Supplemented Prospectus and any further amendments or supplements to the Registration Statement or the Prospectus, when any such post-effective amendments are declared effective or supplements are filed with the Commission, as the case may be, will comply, in all material respects with the applicable provisions of the 1933 Act, the 1934 Act, the 1939 Act (hereinafter defined) and the General Rules and Regulations of the Commission thereunder and do not and will not, (i) as of the applicable effective date as to the Registration Statement and any amendment thereto, (ii) as of the filing date thereof as to the Preliminary Supplemented Prospectus, and (iii) as of the applicable filing date as to the Final Supplemented Prospectus and any Prospectus as further amended or supplemented, contain an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading; except that the Company makes no warranties or representations with respect to (A) that part of the Registration Statement which shall constitute the Statements of Eligibility (Form T-1) (collectively, the "Form T-1") under the Trust Indenture Act of 1939, as amended (the "1939 Act"), (B) statements or omissions made in the Registration Statement, the Preliminary Supplemented Prospectus, or the Final Supplemented Prospectus in reliance upon and in conformity with information furnished in writing to the Company by an Underwriter expressly for use therein or (C) any information set forth in the Preliminary Supplemented Prospectus or the Final Supplemented Prospectus under the caption "Book-Entry Only Issuance -- The Depository Trust Company".

(e) With respect to the Registration Statement, the conditions for use of Form S-3, as set forth in the General Instructions thereof, have been satisfied.

(f) Since the respective dates as of which information is given in the Registration Statement and the Final Supplemented Prospectus, except as otherwise stated therein, there has been no material adverse

change in the business, properties or financial condition of the Company.

(g) The Company is a corporation duly organized and existing under the laws of the State of Maine, is duly qualified to carry on its business as a foreign corporation under the laws of the States of Florida, Georgia and Mississippi, and has due corporate authority to carry on the public utility business in which it is engaged and to own and operate the properties used by it in such business, to enter into and perform its obligations under this Agreement and the Indenture and to issue and sell the Junior Subordinated Notes to the Underwriters.

(h) This Agreement has been duly authorized, executed and delivered by the Company.

(i) The Indenture has been duly authorized by the Company and, on the Closing Date, will have been duly executed and delivered by the Company, and, assuming due authorization, execution and delivery of the Indenture by the Debt Trustee, the Indenture will, on the Closing Date, constitute a valid and binding obligation of the Company, enforceable against the Company in accordance with its terms except to the extent that enforcement thereof may be limited by (1) bankruptcy, insolvency, reorganization, receivership, liquidation, fraudulent conveyance, moratorium or other similar laws affecting creditors' rights generally or (2) general principles of equity (regardless of whether enforcement is considered in a proceeding at law or in equity) (the "Enforceability Exceptions"); the Indenture will conform in all material respects to all statements relating thereto contained in the Final Supplemented Prospectus; and, on the Closing Date, the Indenture will have been duly qualified under the 1939 Act.

(j) The issuance and delivery of the Junior Subordinated Notes have been duly authorized by the Company and, on the Closing Date, the Junior Subordinated Notes will have been duly executed by the Company and, when authenticated in the manner provided for in the Indenture and delivered against payment therefor as described in the Final Supplemented Prospectus, will constitute valid and legally binding obligations of the Company, enforceable against the Company in accordance with their terms, except to the extent that enforcement thereof may be limited by the Enforceability Exceptions, will be in the form contemplated by, and entitled to the benefits of, the Indenture and will conform in all material respects to

all statements relating thereto in the Final Supplemented Prospectus.

(k) The Junior Subordinated Notes are subordinated and junior in right of payment to all "Senior Indebtedness" (as defined in the Indenture) of the Company.

(l) Neither the Company nor any of the Company's subsidiaries is and, after giving effect to the offering and sale of the Junior Subordinated Notes, will be an "investment company" or an entity "controlled" by an "investment company" within the meaning of the Investment Company Act of 1940, as amended (the "1940 Act").

(m) The execution, delivery and performance by the Company of this Agreement, the Indenture and the Junior Subordinated Notes and the consummation by the Company of the transactions contemplated herein and therein and compliance by the Company with its obligations hereunder and thereunder shall have been duly authorized by all necessary corporate action on the part of the Company and do not and will not result in any violation of the charter or bylaws of the Company, and do not and will not conflict with, or result in a breach of any of the terms or provisions of, or constitute a default under, or result in the creation or imposition of any lien, charge or encumbrance upon any property or assets of the Company under (A) any contract, indenture, mortgage, loan agreement, note, lease or other agreement or instrument to which the Company is a party or by which it may be bound or to which any of its properties may be subject (except for conflicts, breaches or defaults which would not, individually or in the aggregate, be materially adverse to the Company or materially adverse to the transactions contemplated by this Agreement), or (B) any existing applicable law, rule, regulation, judgment, order or decree of any government, governmental instrumentality or court, domestic or foreign, or any regulatory body or administrative agency or other governmental body having jurisdiction over the Company, or any of its properties.

(n) No authorization, approval, consent or order of any court or governmental authority or agency is necessary in connection with the issuance and sale by the Company of the Junior Subordinated Notes or the transactions by the Company contemplated in this Agreement, except (A) such as may be required under the 1933 Act or the rules and regulations thereunder; (B) such as may be required under the Public Utility

Holding Company Act of 1935, as amended (the "1935 Act"); (C) the qualification of the Indenture under the 1939 Act; (D) the approval of the Florida Public Service Commission (the "Florida Commission"); and (E) such consents, approvals, authorizations, registrations or qualifications as may be required under state securities or Blue Sky laws.

SECTION 2. SALE AND DELIVERY TO UNDERWRITERS; CLOSING.

(a) On the basis of the representations and warranties herein contained and subject to the terms and conditions herein set forth, the Company agrees to sell to each Underwriter, severally and not jointly, and each Underwriter, severally and not jointly, agrees to purchase from the Company, the principal amount of Junior Subordinated Notes set forth in Schedule I opposite the name of such Underwriter (plus any additional amount of Junior Subordinated Notes that such Underwriter may become obligated to purchase pursuant to the provisions of Section 10 hereof) at a price equal to 96.85% of the principal amount thereof; except that such price will be increased to 98% of the principal amount of the Junior Subordinated Notes sold to certain institutions.

(b) Payment for and delivery of certificates for the Junior Subordinated Notes shall be made at the offices of Troutman Sanders LLP, NationsBank Plaza, 600 Peachtree Street, N.E., Atlanta, Georgia at 10:00 A.M., New York time, on August 1, 1997 (unless postponed in accordance with the provisions of Section 10) or such other time, place or date as shall be agreed upon by the Representative and the Company (such time and date of payment and delivery being herein called the "Closing Date"). Payment shall be made to the Company by wire transfer in federal funds at the Closing Date against delivery of the Junior Subordinated Notes to the Representative for the respective accounts of the Underwriters. It is understood that each Underwriter has authorized the Representative, for its account, to accept delivery of, receipt for, and make payment of the principal amount of the Junior Subordinated Notes which it has agreed to purchase. The Representative, individually and not as Representative of the Underwriters, may (but shall not be obligated to) make payment of the principal amount of the Junior Subordinated Notes to be purchased by any Underwriter whose payment has not been received by the Closing Date, but such payment shall not relieve such Underwriter from its obligations hereunder.

The delivery of the Junior Subordinated Notes shall be made in fully registered form, registered in the name of CEDE & CO., to the offices of The Depository Trust Company in New York, New York or its designee, and the Underwriters shall accept such delivery.

SECTION 3. COVENANTS OF THE COMPANY. The Company covenants with each Underwriter as follows:

(a) The Company, on or prior to the Closing Date, will deliver to the Underwriters conformed copies of the Registration Statement as originally filed and of all amendments thereto, heretofore or hereafter made, including any post-effective amendment (in each case including all exhibits filed therewith, and including unsigned copies of each consent and certificate included therein or filed as an exhibit thereto, except exhibits incorporated by reference, unless specifically requested). As soon as the Company is advised thereof, it will advise the Representative orally of the issuance of any stop order under the 1933 Act with respect to the Registration Statement, or the institution of any proceedings therefor, of which the Company shall have received notice, and will use its best efforts to prevent the issuance of any such stop order and to secure the prompt removal thereof, if issued. The Company will deliver to the Underwriters sufficient conformed copies of the Registration Statement, the Prospectus, the Preliminary Supplemented Prospectus and the Final Supplemented Prospectus and of all supplements and amendments thereto (in each case without exhibits) for distribution to each Underwriter and, from time to time, as many copies of the Prospectus, the Preliminary Supplemented Prospectus and the Final Supplemented Prospectus as the Underwriters may reasonably request for the purposes contemplated by the 1933 Act or the 1934 Act.

(b) The Company will furnish the Underwriters with copies of each amendment and supplement to the Preliminary Supplemented Prospectus and Final Supplemented Prospectus relating to the offering of the Junior Subordinated Notes in such quantities as the Underwriters may from time to time reasonably request. If, during the period (not exceeding nine months) when the delivery of a prospectus shall be required by law in connection with the sale of any Junior Subordinated Notes by an Underwriter or dealer, any event relating to or affecting the Company, or of which the Company shall be advised in writing by the Underwriters, shall occur, which in the opinion of the Company or of Underwriters' counsel should be set forth in a supplement to or an amendment of the Preliminary Supplemented Prospectus or Final Supplemented Prospectus, as the case may be, in order to make the Preliminary Supplemented Prospectus or Final Supplemented Prospectus not misleading in the light of the circumstances when it is delivered, or if for any other reason it shall be necessary during such period

to amend or supplement the Preliminary Supplemented Prospectus or Final Supplemented Prospectus or to file under the 1934 Act any document incorporated by reference in the Preliminary Prospectus or Prospectus in order to comply with the 1933 Act or the 1934 Act, the Company forthwith will (i) notify the Underwriters to suspend solicitation of purchases of the Junior Subordinated Notes and (ii) at its expense, make any such filing or prepare and furnish to the Underwriters a reasonable number of copies of a supplement or supplements or an amendment or amendments to the Preliminary Supplemented Prospectus or Final Supplemented Prospectus which will supplement or amend the Preliminary Supplemented Prospectus or Final Supplemented Prospectus so that, as supplemented or amended, it will not contain any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements therein, in the light of the circumstances when the Preliminary Supplemented Prospectus or Final Supplemented Prospectus is delivered, not misleading or which will effect any other necessary compliance. In case any Underwriter is required to deliver a prospectus in connection with the sale of any Junior Subordinated Notes after the expiration of the period specified in the preceding sentence, the Company, upon the request of such Underwriter, will furnish to such Underwriter, at the expense of such Underwriter, a reasonable quantity of a supplemented or amended prospectus, or supplements or amendments to the Final Supplemented Prospectus, complying with Section 10(a) of the 1933 Act. During the period specified in the second sentence of this subsection, the Company will continue to prepare and file with the Commission on a timely basis all documents or amendments required under the 1934 Act and the rules and regulations thereunder; provided, that the Company shall not file such documents or amendments without also furnishing copies thereof prior to such filing to the Representative and Dewey Ballantine.

(c) The Company will endeavor, in cooperation with the Underwriters, to qualify the Junior Subordinated Notes for offering and sale under the applicable securities laws of such states and the other jurisdictions of the United States as the Representative may designate; provided, however, that the Company shall not be obligated to qualify as a foreign corporation in any jurisdiction in which it is not so qualified or to file a consent to service of process or to file annual reports or to comply with any other requirements in connection with such qualification deemed by the Company to be unduly burdensome.

(d) The Company will make generally available to its security holders as soon as practicable but not later than 45 days after the close of the period covered thereby, an earnings statement of the Company (in form complying with the provisions of Rule 158 of the rules and regulations under the 1933 Act) covering a twelve-month period beginning not later than the first day of the Company's fiscal quarter next following the "effective date" (as defined in Rule 158) of the Registration Statement.

(e) During a period of 15 days from the date of this Agreement, the Company will not, without the Representative's prior written consent, directly or indirectly, sell, offer to sell, grant any option for the sale of, or otherwise dispose of, any Junior Subordinated Notes or any security convertible into or exchangeable into or exercisable for the Junior Subordinated Notes or any debt securities substantially similar to the Junior Subordinated Notes (except for the Junior Subordinated Notes issued pursuant to this Agreement).

(f) As soon as practicable after the date of this Agreement, and in any event within the time prescribed by Rule 424 under the 1933 Act, to file the Final Supplemented Prospectus with the Commission and to advise the Representative of such filing and to confirm such advice in writing.

SECTION 4. PAYMENT OF EXPENSES. The Company will pay all expenses incident to the performance of its obligations under this Agreement, including but not limited to, the expenses of (i) the printing and filing of the Registration Statement as originally filed and of each amendment thereto, (ii) the preparation, issuance and delivery of the certificate(s) for the Junior Subordinated Notes to the Underwriters, (iii) the fees and disbursements of the Company's counsel and accountants, (iv) the qualification of the Junior Subordinated Notes under securities laws in accordance with the provisions of Section 3(c) hereof, including filing fees and the reasonable fees and disbursements of counsel for the Underwriters in connection therewith and in connection with the preparation of any blue sky survey (such fees and disbursements of counsel shall not exceed $3,500), (v) the printing and delivery to the Underwriters of copies of the Registration Statement as originally filed and of each amendment thereto and of the Prospectus, the Preliminary Supplemented Prospectus, the Final Supplemented Prospectus, and any amendments or supplements thereto, (vi) the printing and delivery to the Underwriters of copies of any blue sky survey, (vii) the fee of the National Association of

Securities Dealers, Inc. in connection with its review of the offering contemplated by this Agreement, if applicable, (viii) the fees and expenses of the Debt Trustee, including the fees and disbursements of counsel for the Debt Trustee in connection with the Indenture and the Junior Subordinated Notes, (ix) any fees payable in connection with the rating of the Junior Subordinated Notes, (x) the cost and charges of any transfer agent or registrar, and (xi) the cost of qualifying the Junior Subordinated Notes with The Depository Trust Company.

Except as otherwise provided in Section 9 hereof, the Underwriters shall pay all other expenses incurred by them in connection with their offering of the Junior Subordinated Notes including fees and disbursements of their counsel, Dewey Ballantine.

SECTION 5. CONDITIONS OF UNDERWRITERS' OBLIGATIONS. The obligations of the Underwriters to purchase and pay for the Junior Subordinated Notes are subject to the following conditions:

(a) No stop order suspending the effectiveness of the Registration Statement shall be in effect on the Closing Date and no proceedings for that purpose shall be pending before, or to the knowledge of the Company threatened by, the Commission on such date. If filing of the Preliminary Supplemented Prospectus or Final Supplemented Prospectus, or any supplement thereto, is required pursuant to Rule 424, the Preliminary Supplemented Prospectus or Final Supplemented Prospectus, and any such supplement, shall have been filed in the manner and within the time period required by Rule 424.

(b) Orders of the Florida Commission and the Commission permitting the transactions contemplated hereby substantially in accordance with the terms and conditions hereof shall be in full force and effect and shall contain no provision unacceptable to the Underwriters or the Company (but all provisions of such order or orders heretofore entered, copies of which have heretofore been delivered to the Representative, are deemed acceptable to the Underwriters and the Company and all provisions of such order or orders hereafter entered shall be deemed acceptable to the Underwriters and the Company unless within 24 hours after receiving a copy of any such order any party to this Agreement shall give notice to the other parties to the effect that such order contains an unacceptable provision).

(c) On the Closing Date the Representative shall have received:

(1) The opinion, dated the Closing Date, of Beggs & Lane, counsel for the Company, substantially in the form attached hereto as Schedule II-A.

(2) The opinion, dated the Closing Date, of Troutman Sanders LLP, counsel for the Company, substantially in the form attached hereto as Schedule II-B.

(3) The opinion, dated the Closing Date, of Cravath, Swaine & Moore, counsel to the Debt Trustee, substantially in the form attached hereto as Schedule III.

(4) The favorable opinion, dated as of the Closing Date, of Dewey Ballantine, counsel for the Underwriters, substantially in the form attached hereto as Schedule IV.

(5) At the Closing Date, there shall not have been, since the date hereof or since the respective dates as of which information is given in the Registration Statement and the Final Supplemented Prospectus, any material adverse change in the business, properties or financial condition of the Company, whether or not arising in the ordinary course of business, and the Representative shall have received a certificate of the President or any Vice President of the Company, and dated as of the Closing Date, to the effect that (i) there has been no such material adverse change, (ii) the representations and warranties in Section 1 hereof are true and correct with the same force and effect as though expressly made at and as of the Closing Date, (iii) the Company has complied with all agreements and satisfied all conditions on its part to be performed or satisfied on or prior to the Closing Date, and (iv) no stop order suspending the effectiveness of the Registration Statement has been issued and no proceedings for that purpose have been initiated or, to the knowledge of the Company, threatened by the Commission.

(6) On the Closing Date, the Representative shall have received from Arthur Andersen LLP a letter dated the Closing Date to the effect that: (A) they are independent public accountants with respect to the Company within the meaning of the 1933 Act and the rules and regulations under the 1933 Act; (B) in their opinion, the financial statements and schedules audited by them and incorporated by reference in the Prospectus

comply as to form in all material respects with the applicable accounting requirements of the 1933 Act and the 1934 Act and the rules and regulations under the 1933 Act and the 1934 Act; (C) they have performed certain limited procedures through a specified date not more than five business days prior to the date of such letter, namely (i) reading the minute books of the Company; (ii) reading the unaudited financial statements, if any, of the Company incorporated in the Final Supplemented Prospectus and agreeing the amounts therein with the Company's accounting records; (iii) making inquiries of certain officials of the Company who have responsibility for financial and accounting matters regarding whether the unaudited financial statements, if any, incorporated in the Final Supplemented Prospectus (a) are in conformity with generally accepted accounting principles applied on a basis substantially consistent with that of the audited financial statements incorporated in the Final Supplemented Prospectus and (b) comply as to form in all material respects with the applicable accounting requirements of the 1934 Act and the rules and regulations under the 1934 Act; (iv) reading the unaudited amounts for Operating Revenues, Income Before Interest Charges and Net Income After Dividends on Preferred Stock and the unaudited Ratios of Earnings to Fixed Charges and Earnings to Fixed Charges Plus Preferred Dividend Requirements (Pre-Income Tax Basis), which amounts shall include such amounts for the latest period subsequent to that covered by the financial statements incorporated by reference in the Final Supplemented Prospectus for which such amounts are available at the time this Agreement becomes effective; (v) reading the unaudited financial statements from which the amounts and ratios described in (iv) were derived and agreeing the amounts therein to the Company's accounting records; (vi) making inquiries of certain officials of the Company who have responsibility for financial and accounting matters regarding whether (a) the unaudited amounts and ratios referred to in (iv) above and the unaudited financial statements referred to in (v) above are stated on a basis substantially consistent with that of the corresponding audited amounts or ratios included or incorporated by reference in the Final Supplemented Prospectus and (b) as of a specified date not more than five business days prior to the date of delivery of such letter, there has been any change in the capital stock or long-term debt of the Company or any decrease in net assets as compared with amounts shown in the latest audited balance sheet incorporated in the Final Supplemented Prospectus, except in each case for changes or decreases which (I) the Final Supplemented

Prospectus discloses have occurred or may occur, (II) are occasioned by the declaration of dividends, (III) are occasioned by draw-downs under existing pollution contr l financing arrangements, (IV) are occasioned by draw-downs and regularly scheduled payments of capitalized lease obligations, (V) are occasioned by the purchase or redemption of bonds or stock to satisfy mandatcry or optional redemption provisions relating thereto, or (VI) are disclosed in such letter; (vii) reading the unaudited amounts for Operating Revenues, Income Before Interest Charges and Net Income After Dividends on Preferred Stock and the unaudited Ratios of Earnings to Fixed Charges and Earnings to Fixed Charges Plus Preferred Dividend Requirements (Pre-Income Tax Basis) for any period subsequent to those set forth in (iv) above, which if available shall be set forth in such letter; (viii) reading the unaudited financial statements from which the amounts and ratios described in (vii) above were derived and which will be attached to such letter and agreeing the amounts therein to the Company's accounting records; and (ix) making inquiries of certain officials of the Company who have responsibility for financial and accounting matters regarding whether the unaudited amounts and ratios referred to in (vii) above and the unaudited financial statements referred to in (viii) above are stated on a basis substantially consistent with that of the corresponding audited amounts or ratios included or incorporated by reference in the Final Supplemented Prospectus; and (D) reporting their findings as a result of performing the limited procedures set forth in (C) above. It is understood that the foregoing procedures do not constitute an audit performed in accordance with generally accepted auditing standards and they would not necessarily reveal matters of significance with respect to the comments made in such letter, and accordingly that Arthur Andersen LLP make no representations as to the sufficiency of such procedures for the several Underwriter's purposes.

(7) On the Closing Date, counsel for the Underwriters shall have been furnished with such documents and opinions as they may reasonably require for the purpose of enabling them to pass upon the issuance and sale of the Junior Subordinated Notes as herein contemplated and related proceedings, or in order to evidence the accuracy of any of the representations or warranties, or the fulfillment of any of the conditions, herein contained; and all proceedings taken by the Company in connection with the issuance and sale of the Junior Subordinated Notes as herein contemplated shall be satisfactory in form and

substance to the Representative and Dewey Ballantine, counsel for the Underwriters.

(8) That no amendment or supplement to the Registration Statement, the Preliminary Supplemented Prospectus or the Final Supplemented Prospectus filed subsequent to the date of this Agreement (including any filing made by the Company pursuant to Section 13 or 14 of the 1934 Act) shall be unsatisfactory in form to Dewey Ballantine or shall contain information (other than with respect to an amendment or supplement relating solely to the activity of any Underwriter or Underwriters) which, in the reasonable judgment of the Representative, shall materially impair the marketability of the Junior Subordinated Notes.

(9) The Company shall have performed its obligations when and as provided under this Agreement.

If any condition specified in this Section shall not have been fulfilled when and as required to be fulfilled, this Agreement may be terminated by the Representative by notice to the Company at any time prior to the Closing Date, and such termination shall be without liability of any party to any other party except as provided in Sections 4, 7 and 9(b) hereof.

SECTION 6. CONDITIONS OF THE OBLIGATIONS OF THE COMPANY.

The obligations of the Company shall be subject to the conditions set forth in the first sentence of Section 5(a) and in Section 5(b). In case such conditions shall not have been fulfilled, this Agreement may be terminated by the Company by mailing or delivering written notice thereof to the Underwriters. Any such termination shall be without liability of any party to any other party except as otherwise provided in Sections 4, 7 and 9(b) hereof.

SECTION 7. INDEMNIFICATION.

(a) The Company agrees to indemnify and hold harmless each of the Underwriters and each person, if any, who controls any such Underwriter within the meaning of Section 15 of the 1933 Act or Section 20(a) of the 1934 Act, against any and all losses, claims, damages or liabilities, joint or several, to which they or any of them may become subject under the 1933 Act, 1934 Act or otherwise, and to reimburse the Underwriters and such controlling person or persons, if any, for any legal or other expenses incurred by them in connection with defending any actions, insofar as such losses, claims, damages, liabilities or actions arise out of or are based upon any untrue statement or alleged

untrue statement of a material fact contained in any Preliminary Prospectus, the Registration Statement, the Prospectus, the Preliminary Supplemented Prospectus, or the Final Supplemented Prospectus or, if the Company shall furnish to the Underwriters any amendments or any supplements thereto, or shall make any filings pursuant to Section 13 or 14 of the 1934 Act which are incorporated therein by reference, in any Preliminary Prospectus, the Registration Statement, the Prospectus, the Preliminary Supplemented Prospectus, or the Final Supplemented Prospectus as so amended or supplemented, or arise out of or are based upon any omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, except insofar as such losses, claims, damages, liabilities or actions arise out of or are based upon any such untrue statement or alleged untrue statement or omission or alleged omission which was made in such Registration Statement, Preliminary Prospectus, Prospectus, the Preliminary Supplemented Prospectus, or the Final Supplemented Prospectus in reliance upon and in conformity with information furnished in writing to the Company by, or through the Representative on behalf of, any Underwriter for use therein and except that this indemnity with respect to the Preliminary Prospectus, the Prospectus the Preliminary Supplemented Prospectus, or the Final Supplemented Prospectus, if the Company shall have furnished any amendment or supplement thereto, shall not inure to the benefit of any Underwriter (or of any person controlling such Underwriter) on account of any losses, claims, damages, liabilities or actions arising from the sale of the Junior Subordinated Notes to any person if a copy of the Preliminary Prospectus, the Prospectus, the Preliminary Supplemented Prospectus, or the Final Supplemented Prospectus (exclusive of documents incorporated therein by reference pursuant to Item 12 of Form S-3), as the same may then be amended or supplemented, shall not have been sent or given by or on behalf of such Underwriter to such person with or prior to the written confirmation of the sale involved and the untrue statement or alleged untrue statement or omission or alleged omission was corrected in the Preliminary Prospectus, the Prospectus, the Preliminary Supplemented Prospectus or the Final Supplemented Prospectus as supplemented or amended at the time of such confirmation. Each Underwriter agrees, within ten days after the receipt by it of notice of the commencement of any action in respect of which indemnity may be sought by it, or by any person controlling it, from the Company on account of its agreement contained in this Section 7, to notify the Company in writing of the commencement thereof but the omission of such Underwriter so to notify the Company of any such action shall not release the Company from any liability which it may have to such Underwriter or to such controlling person

otherwise than on account of the indemnity agreement contained in this Section 7. In case any such action shall be brought against the Underwriters or any such person controlling such Underwriters and such Underwriter shall notify the Company of the commencement thereof as above provided, the Company shall be entitled to participate in (and, to the extent that it shall wish, including the selection of counsel, to direct) the defense thereof, at its own expense. In case the Company elects to direct such defense and select such counsel, any Underwriter or controlling person shall have the right to employ its own counsel, but, in any such case, the fees and expenses of such counsel shall be at the expense of such Underwriter or controlling person unless the employment of such counsel has been authorized in writing by the Company in connection with defending such action. No indemnifying party shall, without the written consent of the indemnified party, effect the settlement or compromise of, or consent to the entry of any judgment with respect to, any pending or threatened action or claim in respect of which indemnification may be sought hereunder (whether or not the indemnified party is an actual or potential party to such action or claim) unless such settlement, compromise or judgment (i) includes an unconditional release of the indemnified party from all liability arising out of such action or claim and (ii) does not include any statement as to, or an admission of, fault culpability or a failure to act, by or on behalf of any indemnified party. In no event shall any indemnifying party have any liability or responsibility in respect of the settlement or compromise of, or consent to the entry of any judgment with respect to, any pending or threatened action or claim effected without its prior written consent.

(b) Each Underwriter agrees, severally and not jointly, to indemnify and hold harmless the Company, its directors and such of its officers who have signed the Registration Statement and each other Underwriter and each person, if any, who controls the Company or any such other Underwriter within the meaning of Section 15 of the 1933 Act or Section 20(a) of the 1934 Act to the same extent and upon the same terms as the indemnity agreement of the Company set forth in Section 7(a) hereof, but only with respect to alleged untrue statements or omissions made in the Registration Statement, the Preliminary Prospectus, the Prospectus, the Preliminary Supplemented Prospectus or the Final Supplemented Prospectus, or such documents as amended or supplemented, in reliance upon and in conformity with information furnished in writing to the Company by, or through the Representative on behalf of, such Underwriter for use therein.

SECTION 8. REPRESENTATIONS, WARRANTIES AND AGREEMENTS TO SURVIVE DELIVERY.

All representations, warranties and agreements contained in this Agreement, or contained in certificates of officers of the Company submitted pursuant hereto, shall remain operative and in full force and effect, regardless of any investigation made by or on behalf of any Underwriter or controlling person, or by, or on behalf of the Company and shall survive delivery of the Junior Subordinated Notes to the Underwriters.

SECTION 9. TERMINATION OF AGREEMENT.

(a) The Representative may terminate this Agreement, by notice to the Company, at any time at or prior to the Closing Date if (i) trading in securities on the New York Stock Exchange shall have been generally suspended, (ii) minimum or maximum ranges for prices shall have been generally established on the New York Stock Exchange by the Commission or by the New York Stock Exchange, (iii) a general banking moratorium shall have been declared by federal or New York State authorities, or (iv) there shall have occurred any outbreak or escalation of major hostilities in which the United States is involved, any declaration of war by the United States Congress or any other substantial national or international calamity or emergency affecting the United States, in any such case provided for in clauses (i) through (iv) with the result that, in the reasonable judgement of the Representative, the marketability of the Junior Subordinated Notes shall have been materially impaired.

(b) If this Agreement shall be terminated by the Representative pursuant to subsection (a) above or be ause of any failure or refusal on the part of the Company to comply with the terms or to fulfill any of the conditions of this Agreement, or if for any reason the Company shall be unable to perform its obligations under this Agreement, then in any such case, the Company will reimburse the Underwriters, severally, for the reasonable fees and disbursements of Dewey Ballantine and for the out of pocket expenses (in an amount not exceeding $10,000) reasonably incurred by the Underwriters in making preparations for the purchase, sale and delivery of the Junior Subordinated Notes and, upon such reimbursement, the Company shall be absolved from any further liability hereunder, except as provided in Sections 4 and 7.

SECTION 10. DEFAULT BY ONE OR MORE OF THE UNDERWRITERS. If one or more of the Underwriters shall fail on the Closing Date to purchase the Junior Subordinated Notes that it or they are obligated to purchase under this

Agreement (the "Defaulted Securities") the Representative shall have the right, within 24 hours thereafter, to make arrangements for one or more of the non-defaulting Underwriters, or any other underwriters, to purchase all, but not l ss than all, of the Defaulted Securities in such amounts as may be agreed upon and upon the terms herein set forth; if, however, the Representative shall not have completed such arrangements within such 24-hour period, then:

(a) if the principal amount of Defaulted Securities does not exceed 10% of the Junior Subordinated Notes, each of the non-defaulting Underwriters shall be obligated, severally and not jointly, to purchase the full amount thereof in the proportions that their respective underwriting obligations hereunder bear to the underwriting obligations of all non-defaulting Underwriters, or

(b) if the principal amount of Defaulted Securities exceeds 10% of the Junior Subordinated Notes, this Agreement shall terminate without liability on the part of any non-defaulting Underwriter.

No action taken pursuant to this Section shall relieve any defaulting Underwriter from liability in respect of its default.

In the event of any such default which does not result in a termination of this Agreement, either the Representative or the Company shall have the right to postpone the Closing Date for a period not exceeding seven days in order to effect any required changes in the Registration Statement or Final Supplemented Prospectus or in any other documents or arrangements.

SECTION 11. NOTICES. All notices and other communications hereunder shall be in writing and shall be deemed to have been duly given if mailed or transmitted by any standard form of telecommunication. Notices to the Underwriters shall be directed to the Representative at 3333 Peachtree Road, N.E., South Tower, Atlanta, Georgia 30326, Attention: Syndicate Department; notices to the Company shall be delivered to 500 Bayfront Parkway, Pensacola, Florida 32501, Attention: Corporate Secretary, with a copy to Southern Company Services, Inc., 270 Peachtree Street, N.W., Atlanta, Georgia 30303, Attention: Charles N. Eldred.

SECTION 12. PARTIES. This Agreement shall inure to the benefit of and be binding upon the Underwriters, the Company and their respective successors. Nothing expressed or mentioned in this Agreement is intended or shall be construed to give any person, firm or corporation, other

than the Underwriters and the Company and their respective successors and the controlling persons and officers and directors referred to in Section 7 and their heirs and legal representatives any legal or equitable right, remedy or claim under or in respect of this Agreement or any provision herein contained. This Agreement and all conditions and provisions hereof are intended to be for the sole and exclusive benefit of the Underwriters and the Company and their respective successors, and said controlling persons and officers and directors and their heirs and legal representatives, and for the benefit of no other person, firm or corporation. No purchaser of Junior Subordinated Notes from any Underwriter shall be deemed to be a successor by reason merely of such purchase.

SECTION 13. GOVERNING LAW AND TIME. This Agreement shall be governed by and construed in accordance with the laws of the State of New York applicable to agreements made and to be performed in said State. Except as otherwise set forth herein, specified times of day refer to New York City time.

SECTION 14. COUNTERPARTS. This Agreement may be executed by any one or more of the parties hereto in any number of counterparts, each of which shall be deemed to be an original, but all such respective counterparts shall together constitute one and the same instrument.

If the foregoing is in accordance with your understanding of our agreement, please sign and return to the Company a counterpart hereof, whereupon this instrument, along with all counterparts, will become a binding agreement between the Underwriters and the Company in accordance with its terms.

Very truly yours,

GULF POWER COMPANY

By: _____
Title: Asst Sec

CONFIRMED AND ACCEPTED,
as of the date first above written

THE ROBINSON-HUMPHREY COMPANY, INC.

By: _____
Title:

For itself and as Representative of the other Underwriters named in Schedule I hereto.

If the foregoing is in accordance with your understanding of our agreement, please sign and return to the Company a counterpart hereof, whereupon this instrument, along with all counterparts, will become a binding agreement between the Underwriters and the Company in accordance with its terms.

Very truly yours,

GULF POWER COMPANY

By: _____
Title: _____

CONFIRMED AND ACCEPTED,
as of the date first above written

THE ROBINSON-HUMPHREY COMPANY, INC.

By: _____
Title: Senior Vice President

For itself and as Representative of the other Underwriters named in Schedule I hereto.

SCHEDULE I

NAME OF UNDERWRITER	Principal Amount of Series B Junior Subordinated Notes
The Robinson-Humphrey Company, Inc.	$ 5,000,000
J.C. Bradford & Co.	5,000,000
Edward D. Jones & Co., L.P.	5,000,000
Interstate/Johnson Lane Corporation	1,000,000
Legg Mason Wood Walker, Incorporated	1,000,000
Morgan Keegan & Company, Inc.	1,000,000
Raymond James & Associates, Inc.	1,000,000
Sterne, Agee & Leach, Inc.	1,000,000
TOTAL	$20,000,000

Schedule II-A

[Letterhead of BEGGS & LANE]

_____ __, 199_

The Robinson-Humphrey Company, Inc.
3333 Peachtree Road, N.E.
Atlanta, Georgia 30326

GULF POWER COMPANY
Series B _.__% JUNIOR SUBORDINATED NOTES DUE JUNE 30, 2037

Dear Sirs:

We have acted as general counsel to Gulf Power Company (the "Company") in connection with (i) the Company's issuance of $20,000,000 aggregate principal amount of its Series B ___% Junior Subordinated Notes due June 30, 2037 (the "Notes") pursuant to a Subordinated Note Indenture dated as of January 1, 1997, by and between the Company and The Chase Manhattan Bank, as trustee, as heretofore supplemented and amended and as further supplemented by the Second Supplemental Indenture dated as of _____ __, 199_ (collectively, the "Indenture"); and (ii) the purchase by you of the Notes pursuant to the terms of an Underwriting Agreement dated July __, 1997, among the Company and the underwriters named in Schedule I thereto (the "Underwriters") for whom you are acting as Representative (the "Underwriting Agreement"). This opinion is being delivered to you as Representative pursuant to Section 5(c)(1) thereof.

All capitalized terms not otherwise defined herein shall have the meanings set forth in the Underwriting Agreement.

In rendering the opinions expressed below, we have examined the registration statement on Form S-3 (Nos. 333-19271, 333-19271-01 and 333-19271-02) pertaining to the Notes (the "Registration Statement") filed under the Securities Act of 1933, as amended (the "Act"), and the prospectus dated January 10, 1997 as supplemented by a final prospectus supplement dated _____, 199_ (the "Final Supplemented Prospectus"), which pursuant to Form S-3 incorporates by reference the Annual Report on Form 10-K of the Company for the fiscal year ended December 31, 1996, the Quarterly Reports on Form 10-Q of the Company for the quarters ended _____ and the Current Reports on Form 8-K of the Company dated _____ (the "Exchange

Act Documents"), each as filed under the Securities Exchange Act of 1934, as amended (the "Exchange Act").

In addition, we have examined, and have relied as to matters of fact upon, the documents delivered to you at the closing (except the Notes, of which we have examined a specimen), and we have made such other and further investigations as we deemed necessary to express the opinions hereinafter set forth.

The Indenture and the Underwriting Agreement are herein referred to as the "Agreements".

We are of the opinion, relying as to matters of New York law upon the opinion dated hereof rendered to you by Dewey Ballantine, as to matters of Georgia law and with respect to the Act, the Exchange Act, the Trust Indenture Act (as hereinafter defined) and the Public Utility Holding Company Act of 1935, as amended, on the opinion dated the date hereof rendered to you by Troutman Sanders LLP, that:

1. The Company has been duly organized and is validly existing and in good standing as a corporation under the laws of the State of Maine, is duly qualified to carry on its business as a foreign corporation under the laws of the States of Florida, Georgia and Mississippi, and has due corporate authority to carry on the public utility business in which it is engaged and to own and operate the properties used by it in such business and to enter into and perform its obligations under the Agreements and the Notes.

2. The execution, delivery and performance by the Company of the Underwriting Agreement have been duly authorized by all necessary corporate action, and the Underwriting Agreement has been duly executed and delivered by the Company.

3. All orders, consents, or other authorizations or approvals of the Florida Public Service Commission and the Commission legally required for the issuance and sale of the Notes have been obtained; such orders are sufficient for the issuance and the sale of the Notes; the issuance and the sale of the Notes and conform in all material respects with the terms of such orders; and no other order, consent or other authorization or approval of any Florida or United States governmental body (other than in connection or in compliance with the provisions of the securities or "blue sky" laws of any jurisdiction, as to which we express no opinion) is legally required for the issuance and sale of the Notes in accordance with the terms of the Underwriting Agreement.

4. The Indenture has been duly authorized, executed and delivered by the Company and, assuming the due authorization, execution and delivery thereof by the Debt Trustee, constitutes a valid and legally binding instrument of the Company, enforceable against the Company in accordance with its terms, subject to the qualifications that the enforceability of the Company's obligations under the Indenture may be limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws relating to or affecting creditors' rights generally and by general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law); and the Indenture conforms as to legal matters in all material respects to the description thereof in the Final Supplemented Prospectus.

5. The Notes have been duly authorized and executed by the Company and, when authenticated by the Debt Trustee in the manner provided in the Indenture and delivered to and paid for by the Underwriters pursuant to the Underwriting Agreement, will constitute valid and binding obligations of the Company, enforceable against the Company in accordance with their terms, subject to the qualifications that the enforceability of the Company's obligations under the Notes may be limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws relating to or affecting creditors' rights generally and by general principles of equity; and the Notes conform as to legal matters in all material respects to the description thereof in the Final Supplemented Prospectus.

6. The Indenture has been duly qualified under the Trust Indenture Act of 1939, as amended (the "Trust Indenture Act").

7. The Company is not and, after giving effect to the offering and sale of the Notes, will not be an "investment company" or a company "controlled" by an "investment company" within the meaning of the Investment Company Act of 1940, as amended.

We have not independently verified the accuracy, completeness or fairness of the statements made or included in the Registration Statement, the Final Supplemented Prospectus or the Exchange Act Documents and take no responsibility therefor, except as and to the extent set forth in paragraphs 4 and 5 above and in the Final Supplemented Prospectus in the second paragraph under the caption "Experts". In the course of the preparation by the Company of the Registration Statement, the Final Supplemented Prospectus and the Exchange Act Documents, we participated in conferences with certain officers and employees of the Company, with other counsel for the Company

and with representatives of Arthur Andersen LLP. Based upon our examination of the Registration Statement, the Final Supplemented Prospectus and the Exchange Act Documents, our investigations made in connection with the preparation of the Registration Statement, the Final Supplemented Prospectus and the Exchange Act Documents and our participation in the conferences referred to above, (i) we are of the opinion that the Registration Statement, as of its effective date, and the Final Supplemented Prospectus, as of _____, complied as to form in all material respects with the requirements of the Act and the applicable rules and regulations of the Commission thereunder and that the Exchange Act Documents, as of their respective dates of filing with the Commission, complied as to form in all material respects with the relevant requirements of the Exchange Act and the applicable rules and regulations of the Commission thereunder, except that in each case we express no opinion as to the financial statements or other financial or statistical data contained or incorporated by reference in the Registration Statement, the Final Supplemented Prospectus or the Exchange Act Documents, and (ii) nothing came to our attention which gives us reason to believe that the Registration Statement, as of the date of filing with the Commission of the Annual Report on Form 10-K of the Company for the fiscal year ended December 31, 1996 (including such Annual Report on Form 10-K), contained any untrue statement of a material fact or omitted to state any material fact required to be stated therein or necessary in order to make the statements therein not misleading, or that the Final Supplemented Prospectus (including the Exchange Act Documents) contains any untrue statement therein of a material fact or omits to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading, except that in each case we express no opinion or belief with respect to the financial statements or other financial or statistical data contained or incorporated by reference in the Registration Statement, the Final Supplemented Prospectus or the Exchange Act Documents.

We are members of the State Bar of Florida and we do not express any opinion herein concerning any law other than the law of the States of Florida and Mississippi and the federal law of the United States and, to the extent set forth herein, the laws of the States of Maine, Georgia and New York.

This opinion is rendered to you in connection with the above-described transaction. This opinion may not be relied upon by you for any other purpose, or relied upon by or furnished to any other person without our prior written consent, except that Troutman Sanders LLP and Dewey Ballantine may rely on this opinion in giving their opinions

pursuant to Section 5(c) of the Underwriting Agreement insofar as such opinion relates to matters of Florida and Mississippi law.

Yours very truly,
BEGGS & LANE

Schedule II-B

[Letterhead of TROUTMAN SANDERS LLP]

_____ __, 199_

The Robinson-Humphrey Company, Inc.
3333 Peachtree Road, N.E.
Atlanta, Georgia 30326

GULF POWER COMPANY
SERIES B _.__% JUNIOR SUBORDINATED NOTES DUE JUNE 30, 2037

Dear Sirs:

We have acted as counsel to Gulf Power Company (the "Company") in connection with (i) the Company's issuance of $20,000,000 aggregate principal amount of its Series B ___% Junior Subordinated Notes due June 30, 2037 (the "Notes") pursuant to a Subordinated Note Indenture dated as of January 1, 1997, by and between the Company and The Chase Manhattan Bank, as trustee, as heretofore supplemented and as further supplemented by the Second Supplemental Indenture dated as of _____ __, 199_ (collectively, the "Indenture"); and (ii) the purchase by you of the Notes pursuant to the terms of an Underwriting Agreement dated July __, 1997, among the Company and the underwriters named in Schedule I thereto (the 'Underwriters") for whom you are acting as Representative (the "Underwriting Agreement"). This opinion is being delivered to you as Representative pursuant to Section 5(c)(2) thereof.

All capitalized terms not otherwise defined herein shall have the meanings set forth in the Underwriting Agreement.

In rendering the opinions expressed below, we have examined the registration statement on Form S-3 (Nos. 333-19271, 333-19271-01 and 333-19271-02) pertaining to the Notes (the "Registration Statement") filed under the Securities Act of 1933, as amended (the "Act"), and the prospectus dated January 10, 1997 as supplemented by a final prospectus supplement dated _____, 199_ (the "Final Supplemented Prospectus"), which pursuant to Form S-3 incorporates by reference the Annual Report on Form 10-K of the Company for the fiscal year ended December 31, 1996, the Quarterly Reports on Form 10-Q of the Company for the quarters ended _____ and the Current Reports on Form 8-K of the Company dated _____ (the "Exchange Act Documents"), each as filed under the Securities Exchange Act of 1934, as amended (the "Exchange Act").

In addition, we have examined, and have relied as to matters of fact upon, the documents delivered to you at the closing (except the certificates representing the Notes, of which we have examined a specimen), and we have made such other and further investigations as we deemed necessary to express the opinions hereinafter set forth. In such examination, we have assumed the genuineness of all signatures, the legal capacity of natural persons, the authenticity of all documents submitted to us as originals, the conformity to original documents of all documents submitted to us as certified or photostatic copies, and the authenticity of the originals of such latter documents.

The Indenture and the Underwriting Agreement are herein referred to collectively as the "Agreements".

Based upon the foregoing, and subject to the qualifications and limitations stated herein, we are of the opinion, relying as to matters of Florida and Mississippi law upon the opinion dated the date hereof rendered to you by Beggs & Lane and relying as to matters of New York law upon the opinion dated the date hereof rendered to you by Dewey Ballantine, that:

1. The Company has been duly incorporated and is validly existing as a corporation in good standing under the laws of the State of Maine, is duly qualified to carry on its business as a foreign corporation in the States of Florida, Georgia and Mississippi and has due corporate authority to carry on the public utility business in which it is engaged, to own and operate the properties used by it in such business and to enter into and perform its obligations under the Agreements and the Notes.

2. The execution, delivery and performance by the Company of the Underwriting Agreement have been duly authorized by all necessary corporate action, and the Underwriting Agreement has been duly executed and delivered by the Company.

3. All orders, consents or other authorizations or approvals of the Florida Public Service Commission and the Commission legally required for the issuance and sale of the Notes have been obtained; such orders are sufficient for the issuance and sale of the Notes; the issuance and sale of the Notes conform in all material respects with the terms of such orders; and no other order, consent or other authorization or approval of any Florida or United States governmental body (other than in connection or in compliance with the provisions of the securities or "blue sky" laws of any jurisdiction, as to which we express no opinion) is legally required for the issuance and sale of the Notes in accordance with the terms of the Underwriting Agreement.

4. The Indenture has been duly authorized, executed and delivered by the Company and, assuring the due authorization, execution and delivery thereof by the Debt Trustee, constitutes a valid and legally binding instrument of the Company, enforceable against the Company in accordanc with its terms, subject to the qualifications that the enforceability of the Company's obligations under the Indenture may be limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws relating to or affecting creditors' rights generally and by general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law); and the Indenture conforms as to legal matters in all material respects to the description thereof in the Final Supplemented Prospectus.

5. The Notes have been duly authorized and executed by the Company and, when authenticated by the Debt Trustee in the manner provided in the Indenture and delivered to and paid for by the Underwriters pursuant to the Underwriting Agreement, will constitute valid and binding obligaticns of the Company, enforceable against the Company in accordance with their terms, subject to the qualifications that the enforceability of the Company's obligations under the Notes may be limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws relating to or affecting creditors' rights generally and by general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law); and the Notes conform as to legal matters in all material respects to the description thereof in the Final Supplemented Prospectus.

6. The Indenture has been duly qualified under the Trust Indenture Act of 1939, as amended.

We have not independently verified the accuracy, completeness or fairness of the statements made or included in the Registration Statement, the Final Supplemented Prospectus or the Exchange Act Documents and take no responsibility therefor, except as and to the extent set forth in paragraphs 4 and 5 above. In the course of the preparation by the Company of the Registration Statement, the Final Supplemented Prospectus and the Exchange Act Documents, we participated in conferences with certain officers and employees of the Company, with other counsel for the Company, with representatives of Arthur Andersen LLP and with your counsel. Based upon our examination of the Registration Statement, the Final Supplemented Prospectus and the Exchange Act Documents, our investigations made in connection with the preparation of the Registration Statement, the Final Supplemented Prospectus and the Exchange Act Documents and our participation in the

conferences referred to above, (i) we are of the opinion that the Registration Statement, as of its effective date, and the Final Supplemented Prospectus, as of _____, complied as to form in all material respects with the requirements of the Act and the applicable rules and regulations of the Commission thereunder and that the Exchange Act Documents, as of their respective dates of filing with the Commission, complied as to form in all material respects with the relevant requirements of the Exchange Act and the applicable rules and regulations of the Commission thereunder, except that in each case we express no opinion as to the financial statements or other financial or statistical data contained or incorporated by reference in the Registration Statement, the Final Supplemented Prospectus or the Exchange Act Documents, and (ii) nothing came to our attention which gives us reason to believe that the Registration Statement, as of the date of filing with the Commission of the Annual Report on Form 10-K of the Company for the fiscal year ended December 31, 1996 (including such Annual Report on Form 10-K), contained any untrue statement of a material fact or omitted to state any material fact required to be stated therein or necessary in order to make the statements therein not misleading, or that the Final Supplemented Prospectus (including the Exchange Act Documents) contains any untrue statement of a material fact or omits to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading, except that in each case we express no opinion or belief with respect to the financial statements or other financial or statistical data contained or incorporated by reference in the Registration Statement, the Final Supplemented Prospectus or the Exchange Act Documents.

We are members of the State Bar of Georgia and we do not express any opinion herein concerning any law other than the law of the State of Georgia and the federal law of the United States and, to the extent set forth herein, the laws of the States of Maine, Mississippi, Florida and New York.

This opinion is rendered to you in connection with the above-described transaction. This opinion may not be relied upon by you for any other purpose, or relied upon by or furnished to any other person without our prior written consent.

Yours very truly,

TROUTMAN SANDERS LLP

Schedule III

[Letterhead of Cravath, Swaine & Moore]

_____ __, 199_

The Robinson-Humphrey Company, Inc.
3333 Peachtree Road, N.E.
Atlanta, Georgia 30326

Gulf Power Company
500 Bayfront Parkway
Pensacola, Florida 32501

Gulf Power Company
Series B _.__% Junior Subordinated Notes due June 30, 2037

Dear Sirs:

We have acted as counsel to The Chase Manhattan Bank (the "Bank") in connection with (a) the Subordinated Note Indenture, dated as of January 1, 1997 (the "Original Indenture"), between Gulf Power Company (the "Company") and the Bank, as Trustee, as heretofore supplemented and amended, (b) the Second Supplemental Indenture dated as of _____ (together with the Original Indenture, herein called the "Indenture"), between the Company and the Bank, as Trustee.

In that connection, we have examined originals, or copies certified or otherwise identified to our satisfaction, of such documents, records and other instruments as we have deemed necessary or appropriate for the purpose of this opinion, including copies of the Indenture and certain resolutions adopted by the Board of Directors of the Bank.

Based upon the foregoing, we are of the opinion that:

i) the Bank has been duly incorporated and is validly existing as a banking corporation in good standing under the laws of the State of New York;

ii) the Bank has the corporate trust power and authority to execute, deliver and perform its duties under the Indenture, has duly executed and delivered the Indenture, and, insofar as the laws governing the trust powers of the Bank are concerned and assuming due authorization, execution and delivery thereof by the Company, the Indenture constitutes a legal, valid and binding agreement of the Bank, enforceable against the Bank in accordance with its

terms (subject to applicable bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium or other laws affecting creditors' rights generally from time to time in effect and subject, as to enforceabi''ty, to general principles of equity, regardless of whether such enforceability is considered in a proceeding in equity or at law).

iii) the execution, delivery and performance by the Bank of the Indenture does not conflict with or constitute a breach of the charter or bylaws of the Bank.

iv) no approval, authorization or other action by, or filing with, any governmental authority of the United States of America or the State of New York having jurisdiction over the trust powers of the Bank is required in connection with the execution and delivery by the Bank of the Indenture or the performance by the Bank of its duties thereunder, except such as have been obtained, taken or made.

We are admitted to practice in the State of New York, and we express no opinion as to matters governed by any laws other than the laws of the State of New York and the Federal law of the United States of America. We are furnishing this opinion to you solely for your benefit. This opinion is not to be used, circulated, quoted or otherwise referred to for any other purpose.

Very truly yours,

CRAVATH, SWAINE & MOORE

Schedule IV

[Letterhead of DEWEY BALLANTINE]

_____ __, 199_

The Robinson-Humphrey Company, Inc.
3333 Peachtree Road, N.E.
Atlanta, Georgia 30326

GULF POWER COMPANY
Series B _.__% Junior Subordinated Notes, due ____

Ladies and Gentlemen:

We have represented you in connection with (i) the Company's issuance of $20,000,000 of its Series B ___% Junior Subordinated Notes (the "Notes") pursuant to a Subordinated Note Indenture dated as of January 1, 1997, by and between the Company and The Chase Manhattan Bank, as trustee, as heretofore supplemented and amended and as further supplemented by the Second Supplemental Indenture dated as of _____ __, 199_ (collectively, the "Indenture"); and (ii) the purchase by you of the Notes pursuant to the terms of an Underwriting Agreement dated July __, 1997, among the Company and the underwriters named in Schedule I thereto (the "Underwriters") for whom you are acting as Representative (the "Underwriting Agreement"). This opinion is being delivered to you as Representative pursuant to Section 5(c)(4) thereof.

All capitalized terms not otherwise defined herein shall have the meanings set forth in the Underwriting Agreement.

In rendering the opinions expressed below, we have examined the registration statement on Form S-3 (Nos. 333-19271, 333-19271-01 and 333-19271-02) pertaining to the Notes (the "Registration Statement"), filed under the Securities Act of 1933, as amended (the "Act"), and the prospectus dated January 10, 1997, as supplemented by a final prospectus supplement dated _____, which pursuant to Form S-3 incorporates by reference the Annual Report on Form 10-K of the Company for the fiscal year ended December 31, 1996, the Quarterly Reports on Form 10-Q of the Company for the quarters ended _____ and the Current Reports on Form 8-K of the Company, dated _____ _____ (the "Exchange Act Documents"), each as filed under

the Securities Exchange Act of 1934, as amended (the "Exchange Act").

In addition, we have examined, and have relied as to matters of fact upon, the documents delivered to you at the closing (except the Notes, of which we have examined a specimen), and we have made such other and further investigations as we deemed necessary to express the opinions hereinafter set forth. In such examination, we have assumed the genuineness of all signatures, the legal capacity of natural persons, the authenticity of all documents submitted to us as originals, the conformity to original documents of all documents submitted to us as certified or photostatic copies, and the authenticity of the originals of such latter documents.

The Indenture and the Underwriting Agreement are herein referred to as the "Agreements".

Based upon the foregoing, and subject to the qualifications and limitations stated herein, we are of the opinion, relying as aforesaid and as to all matters covered hereby which are governed by or dependent upon the laws of the States of Florida and Mississippi upon the opinion of Beggs & Lane dated the date hereof and addressed to you and as to all matters covered hereby which are governed by or dependent upon the laws of the State of Georgia upon the opinion of Troutman Sanders LLP dated the date hereof and addressed to you, that:

1. The Company has been duly incorporated and is validly existing as a corporation in good standing under the laws of the State of Maine, is duly qualified to carry on its business as a foreign corporation in the States of Florida, Georgia and Mississippi and has due corporate authority to carry on the public utility business in which it is engaged and to own and operate the properties used by it in such business and to enter into and perform its obligations under the Agreements and the Notes.

2. The execution, delivery and performance by the Company of the Underwriting Agreement have been duly authorized by all necessary corporate action, and the Underwriting Agreement has been duly executed and delivered by the Company.

3. All orders, consents, or other authorizations or approvals of the Florida Public Service Commission and the Commission legally required for the issuance and sale of the Notes have been obtained; such orders are sufficient for the issuance and sale of the Notes; the issuance and sale of the Notes conform in all material respects with the terms of such orders; and no other order, consent or other

authorization or approval of any Florida or United States governmental body (other than in connection or in compliance with the provisions of the securities or "blue sky" laws of any jurisdiction, as to which we express no opinion) is legally required for the issuance and sale of the Notes in accordance wit.. the terms of the Underwriting Agreement.

4. The Indenture has been duly authorized, executed and delivered by the Company and, assuming the due authorization, execution and delivery thereof by the Debt Trustee, constitutes a valid and legally binding instrument of the Company, enforceable against the Company in accordance with its terms, subject to the qualifications that the enforceability of the Company's obligations under the Indenture may be limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws relating to or affecting creditors' rights generally and by general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law); and the Indenture conforms as to legal matters in all material respects to the description thereof in the Final Supplemented Prospectus.

5. The Notes have been duly authorized and executed by the Company and, when authenticated by the Debt Trustee in the manner provided in the Indenture and delivered to and paid for by the Underwriters pursuant to the Underwriting Agreement, will constitute valid and binding obligations of the Company enforceable against the Company in accordance with their terms, subject to the qualifications that the enforceability of the Company's obligations under the Notes may be limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws relating to or affecting creditors' rights generally and by general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law); and the Notes conform as to legal matters in all material respects to the description thereof in the Final Supplemented Prospectus.

6. The Indenture has been duly qualified under the Trust Indenture Act of 1939, as amended.

We have not independently verified the accuracy, completeness or fairness of the statements made or included in the Registration Statement, the Final Supplemented Prospectus or the Exchange Act Documents and take no responsibility therefor except as and to the extent set forth in paragraphs 4 and 5 above. In the course of the preparation by the Company of the Registration Statement, the Final Supplemented Prospectus and the Exchange Act Documents, we participated in conferences with certain officers and employees of the Company, with representatives

of Arthur Andersen LLP and with counsel to the Company. Based upon our examination of the Registration Statement, the Final Supplemented Prospectus and the Exchange Act Documents, our investigations made in connection with the preparation of the Registration Statement and the Final Supplemented Prospectus and our participation in the conferences referred to above, (i) we are of the opinion that the Registration Statement, as of its effective date, and the Final Supplemented Prospectus, as of _____, complied as to form in all material respects with the requirements of the Act and the applicable rules and regulations of the Commission thereunder and that the Exchange Act Documents, as of their respective dates of filing with the Commission, complied as to form in all material respects with the relevant requirements of the Exchange Act and the applicable rules and regulations of the Commission thereunder, except that in each case we express no opinion as to the financial statements or other financial or statistical data contained or incorporated by reference in the Registration Statement, the Final Supplemented Prospectus or the Exchange Act Documents, and (ii) nothing came to our attention which gives us reason to believe that the Registration Statement, as of the date of filing with the Commission of the Annual Report on Form 10-K of the Company for the fiscal year ended December 31, 1996 (including such Annual Report on Form 10-K), contained any untrue statement of a material fact or omitted to state any material fact required to be stated therein or necessary in order to make the statements therein not misleading, or that the Final Supplemented Prospectus (including the Exchange Act Documents) contains any untrue statement of a material fact or omits to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading, except that in each case we express no opinion or belief with respect to the financial statements or other financial or statistical data contained or incorporated by reference in the Registration Statement, the Final Supplemented Prospectus or the Exchange Act Documents.

We are members of the State Bar of New York and we do not express any opinion herein concerning any law other than the law of the State of New York and the federal law of the United States, and to the extent set forth herein, the laws of the States of Maine, Mississippi, Georgia and Florida.

This opinion is rendered solely to you in connection with the above matter. This opinion may not be relied upon by you for any other purpose or relied upon by or furnished to any other person without our prior written consent except that Beggs & Lane and Troutman Sanders LLP may rely on this opinion in giving their opinions pursuant

to Section 5(c) of the Underwriting Agreement, insofar as such opinions relate to matters of New York law, and Troutman Sanders LLP may rely on this opinion in giving its opinion pursuant to Sections 102, 302 and 904 of the Indenture, insofar as such opinion relates to matters of New York law.

Very truly yours,

DEWEY BALLANTINE

EXHIBIT B.2.

GULF POWER COMPANY

TO

THE CHASE MANHATTTAN BANK,
TRUSTEE.

SECOND SUPPLEMENTAL INDENTURE

DATED AS OF AUGUST 1, 1997

$20,000,000

SERIES B 7.50% JUNIOR SUBORDINATED NOTES

DUE JUNE 30, 2037

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[1]This Table of Contents does not constitute part of the Indenture or have any bearing upon the interpretation of any of its terms and provisions.

THIS SECOND SUPPLEMENTAL INDENTURE is made as of the 1st day of August, 1997, by and between GULF POWER COMPANY, a Maine corporation, 500 Bayfront Parkway, Pensacola, Florida 32501 (the "Company"), and THE CHASE MANHATTAN BANK, a New York banking corporation, 450 West 33rd Street, New York, New York 10001 (the "Trustee").

WITNESSETH:

WHEREAS, the Company has heretofore entered into a Subordinated Note Indenture, dated as of January 1, 1997 (the "Original Indenture"), with The Chase Manhattan Bank, as supplemented by a First Supplemental Indenture, dated as of January 1, 1997 (the "First Supplemental Indenture"), with The Chase Manhattan Bank;

WHEREAS, the Original Indenture is incorporated herein by this reference and the Original Indenture, as supplemented by the First Supplemental Indenture and this Second Supplemental Indenture, is herein called the "Indenture";

WHEREAS, under the Original Indenture, a new series of Junior Subordinated Notes may at any time be established by the Board of Directors of the Company in accordance with the provisions of the Original Indenture and the terms of such series may be described by a supplemental indenture executed by the Company and the Trustee;

WHEREAS, the Company proposes to create under the Indenture a new series of Junior Subordinated Notes;

WHEREAS, additional Junior Subordinated Notes of other series hereafter established, except as may be limited in the Original Indenture as at the time supplemented and modified, may be issued from time to time pursuant to the Indenture as at the time supplemented and modified; and

WHEREAS, all conditions necessary to authorize the execution, delivery and recording of this Second Supplemental Indenture and to make it a valid and binding obligation of the Company have been done or performed.

NOW, THEREFORE, in consideration of the agreements and obligations set forth herein and for other good and valuable consideration, the sufficiency of which is hereby acknowledged, the parties hereto hereby agree as follows:

ARTICLE 1

Series B Junior Subordinated Notes

SECTION 101. Establishment. There is hereby established a new series of Junior Subordinated Notes to be issued under the Indenture, to be designated as the Company's Series B 7.50% Junior Subordinated Notes due June 30, 2037 (the "Series B Notes").

There are to be authenticated and delivered $20,000,000 principal amount of Series B Notes, and no further Series B Notes shall be authenticated and delivered except as provided by Sections 203, 303, 304, 907 or 1107 of the Original Indenture. The Series B Notes shall be issued in definitive fully registered form.

The Series B Notes shall be in substantially the form set out in Exhibit A hereto. The entire principal amount of the Series B Notes shall initially be evidenced by one certificate issued to the Depositary (which shall be The Depository Trust Company) or its nominee.

The form of the Trustee's Certificate of Authentication for the Series B Notes shall be in substantially the form set forth in Exhibit B hereto.

Each Series B Note shall be dated the date of authentication thereof and shall bear interest from the date of original issuance thereof or from the most recent Interest Payment Date to which interest has been paid or duly provided for.

SECTION 102. Definitions. The following defined terms used herein shall, unless the context otherwise requires, have the meanings specified below. Capitalized terms used herein for which no definition is provided herein shall have the meanings set forth in the Original Indenture.

"Interest Payment Dates" means March 31, June 30, September 30 and December 31 of each year.

"Original Issue Date" means August 1, 1997.

"Regular Record Date" means, with respect to each Interest Payment Date, the close of business on the 15th calendar day preceding such Interest Payment Date.

"Stated Maturity" means June 30, 2037.

SECTION 103. Payment of Principal and Interest. Principal shall be paid at the Stated Maturity (or upon earlier redemption). The unpaid principal amount of the Series B Notes shall bear interest at the rate of 7.50% per annum until paid or duly provided for. Interest shall be paid quarterly in arrears on each Interest Payment Date to the Person in whose name the Series B Notes are registered on the Regular Record Date for such Interest Payment Date, *provided* that interest payable at the Stated Maturity of principal or on a Redemption Date as provided herein will be paid to the Person to whom principal is payable. Any such interest that is not so punctually paid or duly provided for will forthwith cease to be payable to the Holders on such Regular Record Date and may either be paid to the Person or Persons in whose name the Series B Notes are registered at the close of business on a Special Record Date for the payment of such defaulted interest to be fixed by the Trustee ("Special Record Date"), notice whereof shall be given to Holders of the Series B Notes not less than ten (10) days prior to such Special Record Date, or be paid at any time in any other lawful manner not inconsistent with the requirements of any securities exchange, if any, on which the Series B Notes shall be listed, and upon such notice as may be required by any such exchange, all as more fully provided in the Original Indenture.

Payments of interest on the Series B Notes will include interest accrued to but excluding the respective Interest Payment Dates. Interest payments for the Series B Notes shall be computed and paid on the basis of a 360-day year of twelve 30-day months. In the event that any date on which interest is payable on the Series B Notes is not a Business Day, then a payment of the interest payable on such date will be made on the next succeeding day that is a Business Day, except that, if such Business Day is in the next succeeding calendar year, such payment shall be made on the immediately preceding Business Day, in each case with the same force and effect as if made on the date the payment was originally payable.

Payment of the principal and interest (including Additional Interest, if any) due at the Stated Maturity or earlier redemption of the Series B Notes shall be made upon surrender of the Series B Notes at the Corporate Trust Office of the Trustee, in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts. Payments of interest (including interest on any Interest Payment Date) will be made, subject to such surrender where applicable, at the option of the Company, (i) by check mailed to the address of the Person entitled thereto as such address shall appear in the Security Register or (ii) by wire transfer at such place and to such account at a banking institution in the United States as may be designated in writing to the Trustee at least sixteen (16) days prior to the date for payment by the Person entitled thereto.

SECTION 104. Denominations. The Series B Notes may be issued in the denominations of $25, or any integral multiple thereof.

SECTION 105. Global Securities. The Series B Notes will be issued in the form of one or more Global Securities registered in the name of the Depositary (which shall be The Depository Trust Company) or its nominee. Except under the limited circumstances described below, Series B Notes represented by the Global Security will not be exchangeable for, and will not otherwise be issuable as, Series B Notes in definitive form. The Global Securities described above may not be transferred except by the Depositary to a nominee of the Depositary or by a nominee of the Depositary to the Depositary or another nominee of the Depositary or to a successor Depositary or its nominee.

Owners of beneficial interests in such a Global Security will not be considered the Holders thereof for any purpose under the Indenture, and no Global Security representing a Series B Note shall be exchangeable, except for another Global Security of like denomination and tenor to be registered in the name of the Depositary or its nominee or to a successor Depositary or its nominee. The rights of Holders of such Global Security shall be exercised only through the Depositary.

A Global Security shall be exchangeable for Series B Notes registered in the names of persons other than the Depositary or its nominee only if (i) the Depositary notifies the Company that it is unwilling or unable to continue as a Depositary for such Global Security and no successor Depositary shall have been appointed, or if at any time the Depositary ceases to be a clearing agency registered under the Securities Exchange Act of 1934, as amended, at a time when the Depositary is required to be so registered to act as such Depositary and no successor

Depositary shall have been appointed, (ii) the Company in its sole discretion determines that such Global Security shall be so exchangeable, or (iii) there shall have occurred an Event of Default with respect to the Series B Notes. Any Global Security that is exchangeable pursuant to the preceding sentence shall be exchangeable for Series B Notes registered in such names as the Depositary shall direct.

SECTION 106. Transfer. No service charge will be made for any transfer or exchange of Series B Notes, but payment will be required of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection therewith

The Company shall not be required (a) to issue, transfer or exchange any Series B Notes during a period beginning at the opening of business fifteen (15) days before the day of the mailing of a notice identifying the serial numbers of the Series B Notes to be called for redemption, and ending at the close of business on the day of the mailing, or (b) to transfer or exchange any Series B Notes theretofore selected for redemption in whole or in part, except the unredeemed portion of any Series B Note redeemed in part.

SECTION 107. Redemption. The Series B Notes shall be subject to redemption at the option of the Company, in whole or in part, without premium or penalty, at any time or from time to time on or after August 1, 2002, at a Redemption Price equal to 100% of the principal amount to be redeemed plus accrued but unpaid interest, including Additional Interest, if any, to the Redemption Date.

In the event of redemption of the Series B Notes in part only, a new Series B Note or Notes for the unredeemed portion will be issued in the name or names of the Holders thereof upon the surrender thereof.

The Series B Notes will not have a sinking fund.

Notice of redemption shall be given as provided in Section 1104 of the Original Indenture.

Any redemption of less than all of the Series B Notes shall, with respect to the principal thereof, be divisible by $25.

ARTICLE 2

Miscellaneous Provisions

SECTION 201. Recitals by Company. The recitals in this Second Supplemental Indenture are made by the Company only and not by the Trustee, and all of the provisions contained in the Original Indenture in respect of the rights, privileges, immunities, powers and duties of the Trustee shall be applicable in respect of Series B Notes and of this Second Supplemental Indenture as fully and with like effect as if set forth herein in full.

SECTION 202. Ratification and Incorporation of Original Indenture. As heretofore supplemented by the First Supplemental Indenture and as supplemented hereby, the Original Indenture is in all respects ratified and confirmed, and the Original Indenture, the First Supplemental Indenture and this Second Supplemental Indenture shall be read, taken and construed as one and the same instrument.

SECTION 203. Executed in Counterparts. This Second Supplemental Indenture may be simultaneously executed in several counterparts, each of which shall be deemed to be an original, and such counterparts shall together constitute but one and the same instrument.

IN WITNESS WHEREOF, each party hereto has caused this instrument to be signed in its name and behalf by its duly authorized officers, all as of the day and year first above written.

ATTEST:

GULF POWER COMPANY

By _____
Assistant Secretary

By: _____
Vice President

ATTEST:

THE CHASE MANHATTAN BANK

By: _____

By: _____

IN WITNESS WHEREOF, each party hereto has caused this instrument to be signed in its name and behalf by its duly authorized officers, all as of the day and year first above written.

ATTEST:

By:_____
Assistant Secretary

GULF POWER COMPANY

By:_____
Vice President

ATTEST:

By:_____
SENIOR TRUST OFFICER

THE CHASE MANHATTAN BANK

By:_____
SENIOR TRUST OFFICER

EXHIBIT A

FORM OF SERIES B NOTE

NO. 1 CUSIP NO. _____

THE INDEBTEDNESS EVIDENCED BY THIS SECURITY IS, TO THE EXTENT PROVIDED IN THE INDENTURE, SUBORDINATE AND SUBJECT IN RIGHT OF PAYMENT TO THE PRIOR PAYMENT IN FULL OF ALL SENIOR INDEBTEDNESS AND THIS SECURITY IS ISSUED SUBJECT TO THE PROVISIONS OF THE INDENTURE WITH RESPECT THERETO.

GULF POWER COMPANY
SERIES B 7.50% JUNIOR SUBORDINATED NOTE
DUE JUNE 30, 2037

Principal Amount:	$_____
Regular Record Date:	15th calendar day prior to Interest Payment Date
Original Issue Date:	August 1, 1997
Stated Maturity:	June 30, 2037
Interest Payment Dates:	March 31, June 30, September 30 and December 31
Interest Rate:	7.50% per annum
Authorized Denomination:	$25
Initial Redemption Date:	August 1, 2002

Gulf Power Company, a Maine corporation (the "Company", which term includes any successor corporation under the Indenture referred to on the reverse hereof), for value received, hereby promises to pay to _____, or registered assigns, the principal sum of _____ DOLLARS ($_____) on the Stated Maturity shown above (or upon earlier redemption), and to pay interest thereon from the Original Issue Date shown above, or from the most recent Interest Payment Date to which interest has been paid or duly provided for, quarterly in arrears on each Interest Payment Date as specified above, commencing on the Interest Payment Date next succeeding the Original Issue Date shown above and on the

Stated Maturity (or upon earlier redemption) at the rate per annum shown above until the principal hereof is paid or made available for payment and on any overdue principal and on any overdue installment of interest. The interest so payable, and punctually paid or duly provided for, on any Interest Payment Date (other than an Interest Payment Date that is the Stated Maturity or on a Redemption Date) will, as provided in such Indenture, be paid to the Person in whose name this Note (the "Note") is registered at the close of business on the Regular Record Date as specified above next preceding such Interest Payment Date, provided that any interest payable at Stated Maturity or on any Redemption Date will be paid to the Person to whom principal is payable. Except as otherwise provided in the Indenture, any such interest not so punctually paid or duly provided for will forthwith cease to be payable to the Holder on such Regular Record Date and may either be paid to the Person in whose name this Note is registered at the close of business on a Special Record Date for the payment of such defaulted interest to be fixed by the Trustee, notice whereof shall be given to Holders of Notes of this series not less than 10 days prior to such Special Record Date, or be paid at any time in any other lawful manner not inconsistent with the requirements of any securities exchange, if any, on which the Notes of this series shall be listed, and upon such notice as may be required by any such exchange, all as more fully provided in the Indenture.

Payments of interest on this Note will include interest accrued to but excluding the respective Interest Payment Dates. Interest payments for this Note shall be computed and paid on the basis of a 360-day year of twelve 30-day months. In the event that any date on which interest is payable on this Note is not a Business Day, then payment of the interest payable on such date will be made on the next succeeding day that is a Business Day, except that, if such Business Day is in the next succeeding calendar year, payment shall be made on the immediately preceding Business Day, in each case with the same force and effect as if made on the date the payment was originally payable. A "Business Day" shall mean any day other than a Saturday or a Sunday or a day on which banking institutions in New York City are authorized or required by law or executive order to remain closed or a day on which the Corporate Trust Office of the Trustee is closed for business.

Payment of the principal of and interest (including Additional Interest, if any) due at the Stated Maturity or earlier redemption of the Series B Notes shall be made upon surrender of the Series B Notes at the Corporate Trust Office of the Trustee, in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts. Payment of interest (including interest on an Interest Payment Date) will be made, subject to such surrender where applicable, at the option of the Company, (i) by check mailed to the address of the Person entitled thereto as such address shall appear in the Security Register or (ii) by wire transfer at such place and to such account at a banking institution in the United States as may be designated in writing to the Trustee at least 16 days prior to the date for payment by the Person entitled thereto.

The indebtedness evidenced by this Note is, to the extent provided in the Indenture, subordinate and subject in right of payment to the prior payment in full of all Senior Indebtedness (as defined in the Indenture), and this Note is issued subject to the provisions of the Indenture with respect thereto. Each Holder of this Note, by accepting the same, (a) agrees to and shall be bound by such provisions, (b) authorizes and directs the Trustee on his behalf to take

such action as may be necessary or appropriate to effectuate the subordination so provided, and (c) appoints the Trustee his attorney-in-fact for any and all such purposes. Each Holder hereof, by his acceptance hereof, waives all notice of the acceptance of the subordination provisions contained herein and in the Indenture by each holder of Senior Indebtedness, whether now outstanding or hereafte 'ncurred, and waives reliance by each such holder upon said provisions.

REFERENCE IS HEREBY MADE TO THE FURTHER PROVISIONS OF THIS NOTE SET FORTH ON THE REVERSE HEREOF, WHICH FURTHER PROVISIONS SHALL FOR ALL PURPOSES HAVE THE SAME EFFECT AS IF SET FORTH AT THIS PLACE.

Unless the certificate of authentication hereon has been executed by the Trustee by manual signature, this Note shall not be entitled to any benefit under the Indenture or be valid or obligatory for any purpose.

IN WITNESS WHEREOF, the Company has caused this instrument to be duly executed under its corporate seal.

Dated: _____, 19__.

GULF POWER COMPANY

By: _____

Attest:

_____
Assistant Secretary

{Seal of GULF POWER COMPANY appears here}

CERTIFICATE OF AUTHENTICATION

This is one of the Notes referred to in the within-mentioned Indenture.

THE CHASE MANHATTAN BANK,
as Trustee

By:_____
Authorized Officer

(Reverse Side of Note)

This Note is one of a duly authorized issue of Junior Subordinated Notes of the Company (the "Notes"), issued and issuable in one or more series under a Subordinated Note Indenture, dated as of January 1, 1997, as supplemented (the "Indenture"), between the Company and The Chase Manhattan Bank, Trustee (the "Trustee," which term includes any successor trustee under the Indenture), to which Indenture and all indentures incidental thereto reference is hereby made for a statement of the respective rights, limitation of rights, duties and immunities thereunder of the Company, the Trustee and the Holders of the Notes issued thereunder and of the terms upon which said Notes are, and are to be, authenticated and delivered. This Note is one of the series designated on the face hereof as Series B 7.50% Junior Subordinated Notes due June 30, 2037 (the "Series B Notes") in the aggregate principal amount of up to $20,000,000. Capitalized terms used herein for which no definition is provided herein shall have the meanings set forth in the Indenture.

The Company shall have the right, subject to the terms and conditions of the Indenture, to redeem this Note at any time on or after August 1, 2002 at the option of the Company, without premium or penalty, in whole or in part, at a Redemption Price equal to 100% of the principal amount to be redeemed plus accrued but unpaid interest, including any Additional Interest, if any, to the Redemption Date.

In the event of redemption of this Note in part only, a new Note or Notes of this series for the unredeemed portion hereof will be issued in the name of the Holder hereof upon the surrender hereof. The Notes will not have a sinking fund.

If an Event of Default with respect to the Notes of this series shall occur and be continuing, the principal of the Notes of this series may be declared due and payable in the manner, with the effect and subject to the conditions provided in the Indenture.

The Indenture permits, with certain exceptions as therein provided, the amendment thereof and the modification of the rights and obligations of the Company and the rights of the Holders of the Notes of each series to be affected under the Indenture at any time by the Company and the Trustee with the consent of the Holders of not less than a majority in principal amount of the Notes at the time Outstanding of each series to be affected. The Indenture also contains provisions permitting the Holders of specified percentages in principal amount of the Notes of each series at the time Outstanding, on behalf of the Holders of all Notes of such series, to waive compliance by the Company with certain provisions of the Indenture and certain past defaults under the Indenture and their consequences. Any such consent or waiver by the Holder of this Note shall be conclusive and binding upon such Holder and upon all future Holders of this Note and of any Note issued upon the registration of transfer hereof or in exchange hereof or in lieu hereof, whether or not notation of such consent or waiver is made upon this Note.

No reference herein to the Indenture and no provision of this Note or of the Indenture shall alter or impair the obligation of the Company, which is absolute and unconditional, to pay

the principal of and interest on this Note at the times, place and rate, and in the coin or currency, herein prescribed.

As provided in the Indenture and subject to certain limitations therein set forth, the transfer of this Note is registrable in the Security Register, upon surrender of this Note for registration of transfer at the office or agency of the Company for such purpose, duly endorsed by, or accompanied by a written instrument of transfer in form satisfactory to the Company and the Security Registrar and duly executed by, the Holder hereof or his attorney duly authorized in writing, and thereupon one or more new Notes of this series, of authorized denominations and of like tenor and for the same aggregate principal amount, will be issued to the designated transferee or transferees. No service charge shall be made for any such registration of transfer or exchange, but the Company may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith.

Prior to due presentment of this Note for registration of transfer, the Company, the Trustee and any agent of the Company or the Trustee may treat the Person in whose name this Note is registered as the owner hereof for all purposes, whether or not this Note be overdue, and neither the Company, the Trustee nor any such agent shall be affected by notice to the contrary.

The Notes of this series are issuable only in registered form without coupons in denominations of $25 and any integral multiple thereof. As provided in the Indenture and subject to certain limitations therein set forth, Notes of this series are exchangeable for a like aggregate principal amount of Notes of this series of a different authorized denomination, as requested by the Holder surrendering the same upon surrender of the Note or Notes to be exchanged at the office or agency of the Company.

This Note shall be governed by, and construed in accordance with, the internal laws of the State of New York.

ABBREVIATIONS

The following abbreviations, when used in the inscription on the face of this instrument, shall be construed as though they were written out in full according to applicable laws or regulations:

TEN COM-	as tenants in common	UNIF GIFT MIN ACT-	_____ Custodian _____ (Cust) (Minor)
TEN ENT-	as tenants by the entireties		under Uniform Gifts to Minors Act
JT TEN-	as joint tenants with right of survivorship and not as tenants in common		_____ (State)

Additional abbreviations may also be used though not on the above list.

FOR VALUE RECEIVED, the undersigned hereby sell(s) and transfer(s) unto _____ _____ (please insert Social Security or other identifying number of assignee)

_____

PLEASE PRINT OR TYPEWRITE NAME AND ADDRESS, INCLUDING POSTAL ZIP CODE OF ASSIGNEE

_____

_____

the within Note and all rights thereunder, hereby irrevocably constituting and appointing

_____

_____

agent to transfer said Note on the books of the Company, with full power of substitution in the premises.

Dated: _____ _____

_____

NOTICE: The signature to this assignment must correspond with the name as written upon the face of the within instrument in every particular without alteration or enlargement, or any change whatever.

EXHIBIT B

CERTIFICATE OF AUTHENTICATION

This is one of the Notes referred to in the within-mentioned Indenture.

THE CHASE MANHATTAN BANK,
as Trustee

By:_____
Authorized Officer

PROSPECTUS SUPPLEMENT TO PROSPECTUS DATED JANUARY 10, 1997

$20,000,000

Gulf Power Company

a subsidiary of The Southern Company

EXHIBIT B.3.

Series B 7.50% Ju...or Subordinated Notes Due June 30, 2037

Interest on the Series B 7.50% Junior Subordinated Notes due June 30, 2037 (the "Series B Junior Subordinated Notes") at the rate of 7.50% per annum (the "Securities Rate") will be payable quarterly in arrears on March 31, June 30, September 30 and December 31 of each year (each, an "Interest Payment Date"), commencing September 30, 1997. The Series B Junior Subordinated Notes will be redeemable at 100% of the principal amount redeemed plus accrued interest to the redemption date at the option of Gulf Power Company (the "Company") in whole or in part on or after August 1, 2002. The Series B Junior Subordinated Notes will be available for purchase in denominations of $25 and any integral multiple thereof.

The Series B Junior Subordinated Notes will be unsecured obligations and will be subordinate and junior in right of payment to Senior Indebtedness of the Company, as described herein. See "Description of the Junior Subordinated Notes — Subordination" in the accompanying Prospectus. As of March 31, 1997, outstanding Senior Indebtedness of the Company aggregated approximately $306,000,000.

The Series B Junior Subordinated Notes initially will be represented by a global certificate or certificates registered in the name of The Depository Trust Company ("DTC") or its nominee. Beneficial interests in the Series B Junior Subordinated Notes will be shown on, and transfers thereof will be effected only through, records maintained by Participants (as defined herein) in DTC. Except as described herein, Series B Junior Subordinated Notes in certificated form will not be issued in exchange for the global certificates. See "Description of the Series B Junior Subordinated Notes — Book-Entry Only Issuance — The Depository Trust Company."

See "Risk Factors" on page S-3 for certain information relevant to an investment in the Series B Junior Subordinated Notes.

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION NOR HAS THE SECURITIES AND XCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS SUPPLEMENT OR THE PROSPECTUS TO WHICH IT RELATES. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

	Price to Public(1)	Underwriting Discount(2)(4)	Proceeds to Company(3)(4)
Per Series B Junior Subordinated Note	100%	3.15%	96.85%
Total	$20,000,000	$630,000	$19,370,000

(1) Plus accrued interest, if any, from the date of original issuance.
(2) See "Underwriting" for a description of the indemnification arrangements with the Underwriters.
(3) Before deducting expenses of the offering payable by the Company estimated to be $205,000.
(4) The Underwriting Discount will be 2% of the principal amount of the Series B Junior Subordinated Notes sold to certain institutions. Therefore, to the extent any such sales are made to such institutions, the actual total Underwriting Discount will be less than, and the actual total Proceeds to Company will be greater than, the amounts shown in the table above.

The Series B Junior Subordinated Notes offered hereby are offered severally by the Underwriters, as specified herein, subject to receipt and acceptance by them and subject to their right to reject any order in whole or in part. It is expected that delivery of the Series B Junior Subordinated Notes will be made only in book-entry form through the facilities of DTC on or about August 1, 1997 against payment therefor in immediately available funds.

The Robinson-Humphrey Company, Inc.

J.C. Bradford & Co.

Edward D. Jones & Co., L.P.

The date of this Prospectus Supplement is July 28, 1997.

CERTAIN PERSONS PARTICIPATING IN THIS OFFERING MAY ENGAGE IN TRANSACTIONS THAT STABILIZE, MAINTAIN OR OTHERWISE AFFECT THE PRICE OF THE SERIES B JUNIOR SUBORDINATED NOTES OFFERED HEREBY, INCLUDING BY ENTERING STABILIZING BIDS, PURCHASING SERIES B JUNIOR SUBORDINATED NOTES TO COVER SYNDICATE SHORT POSITIONS AND IMPOSING PENALTY BIDS. FOR A DESCRIPTION OF THESE ACTIVITIES, SEE "UNDERWRITING" HEREIN.

SUMMARY OF OFFERING

The following summary is qualified in its entirety by reference to the detailed information appearing elsewhere in this Prospectus Supplement and in the accompanying Prospectus. Capitalized terms not otherwise defined shall have the meanings assigned in the Glossary.

The Company	The Company is a corporation organized under the laws of the State of Maine on November 2, 1925, and admitted to do business in Florida on January 15, 1926, in Mississippi on October 25, 1976 and in Georgia on November 20, 1984. The Company has its principal office at 500 Bayfront Parkway, Pensacola, Florida 32501, telephone (850) 444-6111. The Company is a wholly owned subsidiary of The Southern Company. The Company is a regulated public utility engaged in the generation, transmission, distribution and sale of electric energy within an approximately 7,400 square mile service area within the northwestern portion of the State of Florida.
Series B Junior Subordinated Notes Offered	The Company is offering $20,000,000 aggregate principal amount of its Series B Junior Subordinated Notes. Interest on the Series B Junior Subordinated Notes will be payable quarterly in arrears on March 31, June 30, September 30 and December 31 of each year, commencing on September 30, 1997.
Record Date	The regular record date for each Interest Payment Date will be the close of business on the 15th calendar day prior to such Interest Payment Date.
Ranking	The Series B Junior Subordinated Notes will be subordinate and junior in right of payment to all indebtedness for borrowed money and other obligations of the Company included in the definition of Senior Indebtedness. See "Description of the Junior Subordinated Notes — Subordination" in the accompanying Prospectus.
Redemption	The Series B Junior Subordinated Notes will be redeemable by the Company (in whole or in part), from time to time on or after August 1, 2002, at 100% of the principal amount to be redeemed plus accrued interest to the redemption date. See "Description of the Series B Junior Subordinated Notes — Redemption" herein.

CAPITALIZATION

The following table sets forth the capitalization of the Company as of March 31, 1997, and as adjusted to reflect the issuance of the Series B Junior Subordinated Notes. The following data is qualified in its entirety by reference to and, therefore, should be read together with the detailed information and financial statements appearing in the documents incorporated herein by reference. See also "Selected Information" in the accompanying Prospectus.

	As of March 31, 1997		
	Actual	As Adjusted	
	(Thousands, except percentages)		
Common Stock Equity	$433,598	$433,598	49.1%
Cumulative Preferred Stock	65,102	65,102	7.4
Company Obligated Mandatorily Redeemable Preferred Securities of Subsidiary Trust Holding Company Junior Subordinated Notes	40,000	40,000	4.5
Long-Term Debt	345,022	345,022	39.0
Total, excluding amounts due within one year	$883,722	$883,722	100.0%

RECENT RESULTS OF OPERATIONS

For the twelve months ended June 30, 1997, the unaudited amounts of "Operating Revenues," "Income Before Interest Charges" and "Net Income After Dividends on Preferred Stock" were $512,289,000, $92,042,000 and $ 132,000, respectively. In the opinion of the management of the Company, the above unaudited amounts for the twelve months ended June 30, 1997 reflect all adjustments (which were only normal recurring adjustments) necessary to present fairly the results of operations for such period. The "Ratio of Earnings to Fixed Charges" and the "Ratio of Earnings to Fixed Charges Plus Preferred Dividend Requirements (Pre-Income Tax Basis)" for the twelve months ended June 30, 1997 were 4.06 and 3.18, respectively. The "Ratio of Earnings to Fixed Charges" and the "Ratio of Earnings to Fixed Charges Plus Preferred Dividend Requirements (Pre-Income Tax Basis)" for the year ended December 31, 1996 were 4.29 and 3.31, respectively.

DESCRIPTION OF THE SERIES B JUNIOR SUBORDINATED NOTES

Set forth below is a description of the specific terms of the Series B Junior Subordinated Notes. This description supplements, and should be read together with, the description of the general terms and provisions of the Junior Subordinated Notes set forth in the accompanying Prospectus under the caption "Description of the Junior Subordinated Notes." The following description does not purport to be complete and is subject to, and is qualified in its entirety by reference to, the description in the accompanying Prospectus and the Subordinated Note Indenture (as defined therein).

General

The Series B Junior Subordinated Notes will be issued as a series of Junior Subordinated Notes under the Subordinated Note Indenture. The Series B Junior Subordinated Notes will be limited in aggregate principal amount to $20,000,000.

The entire principal amount of the Series B Junior Subordinated Notes will mature and become due and payable, together with any accrued and unpaid interest thereon, including Additional Interest, if any, on June 30, 2037. The Series B Junior Subordinated Notes are not subject to any sinking fund provision.

Interest

Each Series B Junior Subordinated Note shall bear interest at the Securities Rate from the date of original issuance, payable quarterly in arrears on March 31, June 30, September 30 and December 31 of each year to the person in whose name such Series B Junior Subordinated Note is registered at the close of business

RISK FACTORS

Prospective purchasers of Series B Junior Subordinated Notes should carefully review the information contained elsewhere in this Prospectus Supplement and in the accompanying Prospectus and should consider particularly the following matters:

Ranking of and Rights Under the Series B Junior Subordinated Notes

The obligations of the Company under the Series B Junior Subordinated Notes are subordinate and junior in right of payment to all present and future Senior Indebtedness of the Company. At March 31, 1997, Senior Indebtedness of the Company aggregated approximately $388,000,000. There are no terms in the Series B Junior Subordinated Notes that limit the Company's ability to incur additional indebtedness, including indebtedness that ranks senior to the Series B Junior Subordinated Notes. See "Description of the Junior Subordinated Notes — Subordination" in the accompanying Prospectus.

Trading Characteristics of the Series B Junior Subordinated Notes

The Series B Junior Subordinated Notes are expected to trade at a price that takes into account the value, if any, of accrued but unpaid interest; thus, purchasers will not pay and sellers will not receive accrued and unpaid interest with respect to the Series B Junior Subordinated Notes that is not included in the trading price thereof. Any portion of the trading price of a Series B Junior Subordinated Note received that is attributable to accrued interest will be treated as ordinary interest income for federal income tax purposes and will not be treated as part of the amount realized for purposes of determining gain or loss on the disposition of the Series B Junior Subordinated Note.

The trading price of the Series B Junior Subordinated Notes is likely to be sensitive to the level of interest rates generally. If interest rates rise in general, the trading price of the Series B Junior Subordinated Notes may decline to reflect the additional yield requirements of the purchasers. Conversely, a decline in interest rates may increase the trading price of the Series B Junior Subordinated Notes, although any increase will be moderated by the Company's ability to call the Series B Junior Subordinated Notes at any time on or after August 1, 2002 at a redemption price equal to 100% of the principal amount to be redeemed plus accrued but unpaid interest.

CAPITALIZATION

The following table sets forth the capitalization of the Company as of March 31, 1997, and as adjusted to reflect the issuance of the Series B Junior Subordinated Notes. The following data is qualified in its entirety by reference to and, therefore, should be read together with the detailed information and financial statements appearing in the documents incorporated herein by reference. See also "Selected Information" in the accompanying Prospectus.

	As of March 31, 1997		
	Actual	As Adjusted	
	(Thousands, except percentages)		
Common Stock Equity	$433,598	$433,598	49.1%
Cumulative Preferred Stock	65,102	65,102	7.4
Company Obligated Mandatorily Redeemable Preferred Securities of Subsidiary Trust Holding Company Junior Subordinated Notes	40,000	40,000	4.5
Long-Term Debt	345,022	345,022	39.0
Total, excluding amounts due within one year	$883,722	$883,722	100.0%

RECENT RESULTS OF OPERATIONS

For the twelve months ended June 30, 1997, the unaudited amounts of "Operating Revenues," "Income Before Interest Charges" and "Net Income After Dividends on Preferred Stock" were $612,289,000, $92,042,000 and $55,132,000, respectively. In the opinion of the management of the Company, the above unaudited amounts for the twelve months ended June 30, 1997 reflect all adjustments (which were only normal recurring adjustments) necessary to present fairly the results of operations for such period. The "Ratio of Earnings to Fixed Charges" and the "Ratio of Earnings to Fixed Charges Plus Preferred Dividend Requirements (Pre-Income Tax Basis)" for the twelve months ended June 30, 1997 were 4.06 and 3.18, respectively. The "Ratio of Earnings to Fixed Charges" and the "Ratio of Earnings to Fixed Charges Plus Preferred Dividend Requirements (Pre-Income Tax Basis)" for the year ended December 31, 1996 were 4.29 and 3.31, respectively.

DESCRIPTION OF THE SERIES B JUNIOR SUBORDINATED NOTES

Set forth below is a description of the specific terms of the Series B Junior Subordinated Notes. This description supplements, and should be read together with, the description of the general terms and provisions of the Junior Subordinated Notes set forth in the accompanying Prospectus under the caption "Description of the Junior Subordinated Notes." The following description does not purport to be complete and is subject to, and is qualified in its entirety by reference to, the description in the accompanying Prospectus and the Subordinated Note Indenture (as defined therein).

General

The Series B Junior Subordinated Notes will be issued as a series of Junior Subordinated Notes under the Subordinated Note Indenture. The Series B Junior Subordinated Notes will be limited in aggregate principal amount to $20,000,000.

The entire principal amount of the Series B Junior Subordinated Notes will mature and become due and payable, together with any accrued and unpaid interest thereon, including Additional Interest, if any, on June 30, 2037. The Series B Junior Subordinated Notes are not subject to any sinking fund provision.

Interest

Each Series B Junior Subordinated Note shall bear interest at the Securities Rate from the date of original issuance, payable quarterly in arrears on March 31, June 30, September 30 and December 31 of each year to the person in whose name such Series B Junior Subordinated Note is registered at the close of business

on the fifteenth calendar day prior to such payment date. The initial Interest Payment Date is September 30, 1997. The amount of interest payable will be computed on the basis of a 360-day year of twelve 30-day months. In the event that any date on which interest is payable on the Series B Junior Subordinated Notes is not a Business Day, then payment of the interest payable on such date will be made on the next succeeding day which is a Business Day (and without any interest or other payment in respect of any such delay), except that, if such Business Day is in the next succeeding calendar year, such payment shall be made on the immediately preceding Business Day, in each case with the same force and effect as if made on such date.

Optional Redemption

The Company shall have the right to redeem the Series B Junior Subordinated Notes, in whole or in part, without premium, from time to time, on or after August 1, 2002, upon not less than 30 nor more than 60 days' notice, at a Redemption Price equal to 100% of the principal amount to be redeemed plus any accrued and unpaid interest, including Additional Interest, if any, to the Redemption Date.

Redemption Procedures

If the Indenture Trustee gives a notice of redemption in respect of Series B Junior Subordinated Notes (which notice will be irrevocable), then, by 2:00 P.M., New York City time, on the redemption date, the Indenture Trustee will irrevocably deposit with the securities depositary, so long as the Series B Junior Subordinated Notes are in book-entry only form, sufficient funds to pay the Redemption Price. See "— Book-Entry Only Issuance — The Depository Trust Company" below. If the Series B Junior Subordinated Notes are no longer in book-entry only form, the Indenture Trustee shall irrevocably deposit with the Paying Agent funds sufficient to pay the applicable Redemption Price and will give the Paying Agent irrevocable instructions to pay the Redemption Price to the holders thereof upon surrender of their Series B Junior Subordinated Notes certificates. If notice of redemption shall have been given and funds deposited as required, then immediately prior to the close of business on the date of such deposit, interest will cease to accrue and all rights of holders of such Series B Junior Subordinated Notes so called for redemption will cease, except the right of the holders of such Series B Junior Subordinated Notes to receive the Redemption Price, but without interest on such Redemption Price. In the event that any date fixed for redemption of Series B Junior Subordinated Notes is not a Business Day, then payment of the Redemption Price payable on such date will be made on the next succeeding day which is a Business Day (and without any interest or other payment in respect of any such delay), except that, if such Business Day falls in the next calendar year, such payment will be made on the immediately preceding Business Day. In the event that payment of the Redemption Price in respect of Series B Junior Subordinated Notes is improperly withheld or refused and not paid by the Company, interest on such Series B Junior Subordinated Notes will continue to accrue at the Securities Rate from such redemption date originally established by the Company for such Series B Junior Subordinated Notes to the date such Redemption Price is actually paid. See "Description of the Junior Subordinated Notes — Events of Default" in the accompanying Prospectus.

Subject to the foregoing and to applicable law (including, without limitation, United States federal securities laws), the Company or its affiliates may, at any time and from time to time, purchase outstanding Series B Junior Subordinated Notes by tender, in the open market or by private agreement.

Book-Entry Only Issuance — The Depository Trust Company

The Depository Trust Company ("DTC") will act as the initial securities depositary for the Series B Junior Subordinated Notes. The Series B Junior Subordinated Notes will be issued only as fully registered securities registered in the name of Cede & Co., DTC's nominee. One or more fully registered global Series B Junior Subordinated Notes certificates will be issued, representing in the aggregate the total principal amount of Series B Junior Subordinated Notes, and will be deposited with DTC.

DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing

agency" registered pursuant to the provisions of Section 17A of the 1934 Act. DTC holds securities that its participants ("Participant ") deposit with DTC. DTC also facilitates the settlement among Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in Participants' accounts, thereby eliminating the need for physical movement of securities certificates. Direct Participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations ("Direct Participants"). DTC is owned by a number of its Direct Participants and by the NYSE, the American Stock Exchange, Inc., and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as securities brokers and dealers, banks and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The rules applicable to DTC and its Participants are on file with the Commission.

Purchases of Series B Junior Subordinated Notes within the DTC system must be made by or through Direct Participants, which will receive a credit for the Series B Junior Subordinated Notes on DTC's records. The ownership interest of each actual purchaser of Series B Junior Subordinated Notes ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchases, but Beneficial Owners are expected to receive written confirmations providing details of the transactions, as well as periodic statements of their holdings, from the Direct or Indirect Participants through which the Beneficial Owners purchased Series B Junior Subordinated Notes. Transfers of ownership interests in the Series B Junior Subordinated Notes are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Series B Junior Subordinated Notes, except in the event that use of the book-entry system for the Series B Junior Subordinated Notes is discontinued.

DTC has no knowledge of the actual Beneficial Owners of the Series B Junior Subordinated Notes. DTC's records reflect only the identity of the Direct Participants to whose accounts such Series B Junior Subordinated Notes are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all of the Series B Junior Subordinated Notes are being redeemed, DTC will reduce the amount of the interest of each Direct Participant in the Series B Junior Subordinated Notes in accordance with its procedures.

Although voting with respect to the Series B Junior Subordinated Notes is limited, in those cases where a vote is required, neither DTC nor Cede & Co. will itself consent or vote with respect to Series B Junior Subordinated Notes. Under its usual procedures, DTC would mail an Omnibus Proxy to the Company as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series B Junior Subordinated Notes are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments on the Series B Junior Subordinated Notes will be made to DTC. DTC's practice is to credit Direct Participants' accounts on the relevant payment date in accordance with their respective holdings shown on DTC's records unless DTC has reason to believe that it will not receive payments on such payment date. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the account of customers registered in "street name," and will be the responsibility of such Participant and not of DTC or the Company, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment to DTC is the responsibility of the Company, disbursement of such payments to Direct Participants is the responsibility of DTC, and disbursement of such payments to the Beneficial Owners is the responsibility of Direct and Indirect Participants.

Except as provided herein, a Beneficial Owner in a global Series B Junior Subordinated Note will not be entitled to receive physical delivery of Series B Junior Subordinated Notes. Accordingly, each Beneficial Owner must rely on the procedures of DTC to exercise any rights under the Series B Junior Subordinated Notes. The laws of some jurisdictions require that certain purchasers of securities take physical delivery of securities in definitive form. Such laws may impair the ability to transfer beneficial interests in a global Series B Junior Subordinated Note.

DTC may discontinue providing its services as securities depositary with respect to the Series B Junior Subordinated Notes at any time by giving reasonable notice to the Company. Under such circumstances, in the event that a successor securities depositary is not obtained, Series B Junior Subordinated Note certificates will be printed and delivered to the holders of record. Additionally, the Company may decide to discontinue use of the system of book-entry transfers through DTC (or a successor depositary) with respect to the Series B Junior Subordinated Notes. In that event, certificates for the Series B Junior Subordinated Notes will be printed and delivered to the holders of record.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Company believes to be reliable, but the Company takes no responsibility for the accuracy thereof. The Company has no responsibility for the performance by DTC or its Participants of their respective obligations as described herein or under the rules and procedures governing their respective operations.

UNDERWRITING

Subject to the terms and conditions of the Underwriting Agreement, the Company has agreed to sell to each of the Underwriters named below (for whom The Robinson-Humphrey Company, Inc., J.C. Bradford & Co. and Edward D. Jones & Co., L.P. are acting as Representatives) and each of the Underwriters has severally agreed to purchase from the Company the respective principal amount of Series B Junior Subordinated Notes set forth opposite its name below.

Name	Principal Amount of Series B Junior Subordinated Notes
The Robinson-Humphrey Company, Inc.	$ 5,000,000
J.C. Bradford & Co.	5,000,000
Edward D. Jones & Co., L.P.	5,000,000
Interstate/Johnson Lane Corporation	1,000,000
Legg Mason Wood Walker, Incorporated	1,000,000
Morgan Keegan & Company, Inc.	1,000,000
Raymond James & Associates, Inc.	1,000,000
Sterne, Agee & Leach, Inc.	1,000,000
Total	$20,000,000

In the Underwriting Agreement, the Underwriters have agreed, subject to the terms and conditions set forth therein, to purchase all of the Series B Junior Subordinated Notes offered hereby if any of the Series B Junior Subordinated Notes are purchased.

The Underwriters propose to offer the Series B Junior Subordinated Notes in part directly to the public at the initial public offering price set forth on the cover page of this Prospectus Supplement, and in part to certain securities dealers at such price less a concession not in excess of $.50 per Series B Junior Subordinated Note. The Underwriters may allow, and such dealers may reallow, a concession not in excess of $.40 per Series B Junior Subordinated Note to certain brokers and dealers. After the Series B Junior Subordinated Notes are released for sale to the public, the offering price and other selling terms may from time to time be varied by the Representatives.

The Company has agreed, during the period of 15 days from the date of the Underwriting Agreement, not to sell, offer to sell, grant any option for the sale of, or otherwise dispose of any Series B Junior Subordinated Notes, any security convertible into or exchangeable into or exercisable for Series B Junior Subordinated Notes or any debt securities substantially similar to the Series B Junior Subordinated Notes (except for the Series B Junior Subordinated Notes issued pursuant to the Underwriting Agreement), without the prior written consent of the Representatives.

Prior to this offering, there has been no public market for the Series B Junior Subordinated Notes. The Representatives have advised the Company that they intend to make a market in the Series B Junior Subordinated Notes. The Representatives will have no obligation to make a market in the Series B Junior Subordinated Notes, however, and may cease market making activities, if commenced, at any time. No assurance can be given as to the liquidity of the trading market for the Series B Junior Subordinated Notes.

The Company has agreed to indemnify the Underwriters against certain liabilities, including liabilities under the 1933 Act.

In connection with this offering and in compliance with applicable law and industry practice, the Underwriters may overallot or effect transactions which stabilize, maintain or otherwise affect the market price of the Series B Junior Subordinated Notes at levels above those which might otherwise prevail in the open market, including by entering stabilizing bids, purchasing Series B Junior Subordinated Notes to cover syndicate short positions and imposing penalty bids. A stabilizing bid means the placing of any bid, or the effecting of any purchase, for the purpose of pegging, fixing or maintaining the price of a security. Covering a syndicate short position means placing a bid or effecting a purchase of a security on behalf of the underwriting syndicate to reduce a short position created in connection with the offering. Imposing a penalty bid means purchasing a security in the open market to reduce the underwriting syndicate's short position or to stabilize

the price of the security and in connection therewith reclaiming the amount of the selling concession from the underwriters and selling group members who sold such securities as part of the offering.

In general, purchases of a security for the purpose of stabilization or to reduce a syndicate short position could cause the price of the security to be higher than it might be in the absence of such purchases. The imposition of a penalty bid might also have an effect on the price of a security to the extent that it were to discourage resales of the security.

Neither the Company nor any of the Underwriters makes any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of the Series B Junior Subordinated Notes. In addition, neither the Company nor any of the Underwriters makes any representation that the Underwriters will engage in such transactions or that such transactions once commenced will not be discontinued without notice.

Certain of the Underwriters engage in transactions with, and, from time to time, have performed services for, the Company and its affiliates in the ordinary course of business.

LEGAL OPINIONS

The validity of the Series B Junior Subordinated Notes and certain matters relating thereto will be passed upon on behalf of the Company by Beggs & Lane, Pensacola, Florida, and by Troutman Sanders LLP, Atlanta, Georgia. Certain legal matters will be passed upon for the Underwriters by Dewey Ballantine, New York, New York.

GLOSSARY

1933 Act	The Securities Act of 1933, as amended
1934 Act	The Securities Exchange Act of 1934, as amended
Additional Interest	Amounts payable by the Company as defined under "Description of the Junior Subordinated Notes – Additional Interest" in the accompanying Prospectus
Company	Gulf Power Company.
DTC	The Depository Trust Company, a "clearing corporation" that initially will hold (through its agents) a global certificate evidencing the Series B Junior Subordinated Notes
Indenture Trustee	The trustee under the Subordinated Note Indenture initially The Chase Manhattan Bank
Interest Payment Dates	March 31, June 30, September 30 and December 31 of each year
Record Date	The close of business on the 15th calendar day prior to an Interest Payment Date
Redemption Price	100% of the principal amount of the Series B Junior Subordinated Notes being redeemed, plus accrued and unpaid interest thereon to the date of payment
Securities Rate	The per annum interest rate on the Series B Junior Subordinated Notes, and set forth on the cover page of this Prospectus Supplement
Senior Indebtedness	Indebtedness of the Company described under "Description of the Junior Subordinated Notes – Subordination" in the accompanying Prospectus
Series B Junior Subordinated Notes	The Series B 7.50% Junior Subordinated Notes due June 30, 203 of the Company
Subordinated Note Indenture	The indenture pursuant to which the Company's Series B Junior Subordinated Notes will be issued

PROSPECTUS

$60,000,000
Gulf Power Company
Junior Subordinated Notes

Gulf Power Capital Trust I
Gulf Power Capital Trust II
Trust Preferred Securities and Capital Securities
Fully and unconditionally guaranteed, as set forth herein, by
Gulf Power Company
a subsidiary of The Southern Company

Gulf Power Company, a Maine corporation (the "Company"), may offer, from time to time, its junior subordinated notes (the "Junior Subordinated Notes") in one or more series. The Junior Subordinated Notes will be unsecured obligations of the Company and will be subordinate and junior in right of payment to Senior Indebtedness (as defined herein) of the Company.

Gulf Power Capital Trust I and Gulf Power Capital Trust II, each a statutory business trust created under the laws of the State of Delaware (individually, a "Trust" and collectively, the "Trusts"), may offer, from time to time, trust preferred securities (collectively, the "Preferred Securities") and capital securities (collectively, the "Capital Securities" and together with the Preferred Securities, the "Securities") representing preferred undivided beneficial interests in the assets of the respective Trusts. The Company will own all the common securities (the "Common Securities" and, together with the Securities, the "Trust Securities") representing common undivided beneficial interests in the assets of the respective Trusts. The payment of periodic cash distributions on the Securities of each Trust and payments on liquidation or redemption with respect to such Securities, in each case to the extent such Trust has funds legally and immediately available therefor, will be guaranteed by the Company as described herein (individually, a "Guarantee" and collectively, the "Guarantees"). See "Description of the Guarantees." The Company's obligations under each Guarantee will be subordinate and junior in right of payment to all of its other liabilities and will rank *pari passu* (equal in priority) with the most senior preferred stock of the Company. Concurrently with the issuance by a Trust of its Securities, such Trust will invest the proceeds thereof and of the Company's purchase of the Common Securities of such Trust in a related series of Junior Subordinated Notes of the Company with terms corresponding to the terms of such Trust's Securities. Junior Subordinated Notes may subsequently be distributed pro rata to holders of the Trust Securities of a Trust in connection with the termination of such Trust upon the occurrence of certain events as may be described in an accompanying Prospectus Supplement.

As described herein, the Company will, through each Guarantee, the Subordinated Note Indenture, the Junior Subordinated Notes of the related series, the related Trust Agreement and the related Agreement as to Expenses and Liabilities, fully and unconditionally guarantee all of each Trust's obligations with respect to its Securities.

Specific terms of the Junior Subordinated Notes of any series or the Securities of any Trust in respect of which this Prospectus is being delivered will be set forth in an accompanying Prospectus Supplement with respect to such securities, which will describe, without limitation and where applicable, the following: (a) in the case of Junior Subordinated Notes, the specific designation, aggregate principal amount, denominations, maturity, interest payment dates, interest rate (or the method of determining such rate), any redemption, exchange or sinking fund provisions, and any other specific terms of the offering, and (b) in the case of Securities, the specific designation, number of Securities, liquidation amount per security, distribution rate (or the method of determining such rate), dates on which distributions will be payable, voting rights, any redemption, exchange or sinking fund provisions, and any other rights, preferences, privileges, limitations and restrictions.

The Junior Subordinated Notes and Securities may be offered in amounts, at prices and on terms to be determined at the time of offering, provided, however, that the aggregate initial public offering price of all Junior Subordinated Notes and Securities shall not exceed $60,000,000.

The Prospectus Supplement relating to any series of Junior Subordinated Notes or Securities will contain information concerning certain United States federal income tax considerations, if applicable, to such Junior Subordinated Notes or Securities.

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

The Junior Subordinated Notes and Securities may be sold directly, through agents, underwriters or dealers as designated from time to time, or through a combination of such methods. See "Plan of Distribution." If agents or any underwriters or dealers are involved in the sale of Junior Subordinated Notes or Securities in respect of which this Prospectus is being delivered, the names of such agents, underwriters or dealers and any applicable commissions or discounts will be set forth in, or may be calculated from, the Prospectus Supplement with respect to such Junior Subordinated Notes or Securities.

January 10, 1997

AVAILABLE INFORMATION

The Company and the Trusts have filed with the Securities and Exchange Commission (the "Commission") a combined registration statement on Form S-3 (the "Registration Statement," which term encompasses any amendments thereof and exhibits thereto) under the Securities Act of 1933, as amended (the "1933 Act"). As permitted by the rules and regulations of the Commission, this Prospectus does not contain all of the information set forth in the Registration Statement and the exhibits and schedules thereto, to which reference is hereby made.

The Company is subject to the informational requirements of the Securities Exchange Act of 1934, as amended (the "1934 Act"), and in accordance therewith files reports and other information with the Commission. Such reports and other information can be inspected and copied at the public reference facilities of the Commission at 450 Fifth Street, N.W., Washington, D.C. 20549, and at the Commission's Regional Offices at 500 West Madison Street, Suite 1400, Chicago, Illinois 60661 and Seven World Trade Center, 13th Floor, New York, New York 10048. Copies of such material can also be obtained at prescribed rates by writing to the Public Reference Section of the Commission at 450 Fifth Street, N.W., Washington, D.C. 20549. The Commission maintains a Web site that contains reports, proxy and information statements and other information regarding registrants including the Company that file electronically at http://www.sec.gov. In addition, reports and other material concerning the Company can be inspected at the offices of the New York Stock Exchange, 20 Broad Street, New York, New York 10005, on which Exchange certain of the Company's securities are listed.

No separate financial statements of any Trust are included herein. The Company considers that such statements would not be material to holders of the Securities because each Trust has no independent operations and exists for the sole purpose of investing the proceeds of the sale of its Trust Securities in Junior Subordinated Notes.

INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE

The following documents have been filed with the Commission pursuant to the 1934 Act and are incorporated herein by reference and made a part of this Prospectus:

(a) the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1995;

(b) the Company's Quarterly Reports on Form 10-Q for the quarters ended March 31, 1996, June 30, 1996 and September 30, 1996; and

(c) the Company's Current Reports on Form 8-K dated January 17, 1996, February 21, 1996 and November 6, 1996.

All documents filed by the Company with the Commission pursuant to Section 13(a), 13(c), 14 or 15(d) of the 1934 Act subsequent to the date of this Prospectus and prior to the termination of this offering shall be deemed to be incorporated herein by reference and made a part of this Prospectus from the date of filing of such documents. Any statement contained in a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded for purposes of this Prospectus to the extent that a statement contained herein or in any other subsequently filed document which also is or is deemed to be incorporated by reference herein modifies or supersedes such statement. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Prospectus.

The Company will provide without charge to each person to whom this Prospectus is delivered, on the written or oral request of any such person, a copy of any or all documents incorporated herein by reference (other than the exhibits to such documents unless such exhibits are specifically incorporated by reference). Such requests should be directed to Warren E. Tate, Secretary and Treasurer, Gulf Power Company, 500 Bayfront Parkway, Pensacola, Florida 32501, telephone (904) 444-6111.

SELECTED INFORMATION

The following material, which is presented herein solely to furnish limited introductory information regarding the Company, has been selected from, or is based upon, more detailed information and financial statements appearing in the documents incorporated herein by reference or elsewhere in this Prospectus and is qualified in its entirety by reference thereto and, therefore, should be read together therewith.

Gulf Power Company

Business	Generation, transmission, distribution and sale of electric energy
Service Area	Approximately 7,400 square miles within the northwestern portion of the State of Florida
Service Area Population (1990 Census)	Approximately 740,000
Customers at December 31, 1995	325,114
Generating Capacity at December 31, 1995 (kilowatts)	2,173,900
Sources of Generation during 1995 (kilowatt hours)	Coal (99%), Gas and Oil (1%)
Sources of Generation Estimated for 1996 (kilowatt-hours)	Coal (99%), Gas and Oil (1%)

Selected Financial Information

	Year Ended December 31,					12 Months Ended November 30, 1996(1)
	1991	1992	1993	1994	1995	
	(Thousands, except ratios)					(Unaudited)
Operating Revenues	$ 565,207	$ 570,902	$ 583,142	$ 578,813	$ 619,077	$ 635,408
Income Before Interest Charges	107,854	98,422	90,088	93,407	92,693	92,361
Net Income After Dividends on Preferred Stock	57,796	54,090	54,311	55,229	57,184	56,473
Ratio of Earnings to Fixed Charges(2)	3.13	3.32	3.57	3.89	4.25	4.16
Ratio of Earnings to Fixed Charges Plus Preferred Dividend Requirements (Pre-Income Tax Basis)(3)	2.67	2.77	2.87	3.04	3.28	3.22

Notes on following page.

	Capitalization (Unaudited) as of September 30, 1996		
	Actual	As Adjusted(4)	
	(Thousands, except percentages)		
Common Stock Equity	$446,672	$ 446,672	42.8%
Cumulative Preferred Stock	89,602	45,102	4.3
Company Obligated Mandatorily Redeemable Preferred or Capital Securities of Subsidiary Trusts Holding Company Junior Subordinated Notes(5)		60,000	5.7
Long-Term Debt	331,871	492,371	47.2
Total, excluding amounts due within one year	$868,145	$1,044,145	100.0%

(1) See "Recent Results of Operations" herein

(2) This ratio is computed as follows. (i) "Earnings" have been calculated by adding to "Income Before Interest Charges" all income taxes deducted therefrom and the debt portion of allowance for funds used during construction, and (ii) "Fixed Charges" consist of "Net Interest Charges" plus the debt portion of allowance for funds used during construction

(3) In computing this ratio, "Preferred Dividend Requirements" represent the before tax earnings necessary to pay such dividends, computed at the effective tax rates for the applicable periods

(4) Reflects (i) the proposed issuance of $15,000,000 of new Cumulative Preferred Stock and $160,500,000 of new First Mortgage Bonds covered by previous shelf registration filings, (ii) the proposed issuance of $60,000,000 of new Securities and (iii) the proposed redemption of $59,500,000 of Cumulative Preferred Stock.

(5) As described in this Prospectus, substantially all of the assets of the respective Trusts will be the Junior Subordinated Notes of the Company with an aggregate principal amount not exceeding $61,900,000 and upon redemption of such debt, the related Securities will be mandatorily redeemable

GULF POWER COMPANY

The Company is a corporation organized under the laws of the State of Maine on November 2, 1925, and was admitted to do business in Florida on January 15, 1926, in Mississippi on October 25, 1976 and in Georgia on November 20, 1984. The principal executive offices of the Company are located at 500 Bayfront Parkway, Pensacola, Florida 32501, and the telephone number is (904) 444-6111.

The Company is a wholly owned subsidiary of The Southern Company, a holding company registered under the Public Utility Holding Company Act of 1935. The Company is engaged, within the northwestern portion of the State of Florida, in the generation and purchase of electricity and the distribution and sale of such electricity at retail in 71 communities as well as in rural areas and at wholesale to a nonaffiliated utility and to a municipality.

THE TRUSTS

Each Trust is a statutory business trust created under Delaware law pursuant to the filing of a certificate of trust with the Delaware Secretary of State on December 26, 1996. Each Trust's business is defined in a trust agreement, executed by the Company, as Depositor, and the Delaware Trustee thereunder. This trust agreement of each Trust will be amended and restated in its entirety substantially in the form filed as an exhibit to the Registration Statement of which this Prospectus forms a part (the "Trust Agreement"). Each Trust Agreement will be qualified as an indenture under the Trust Indenture Act of 1939, as amended (the "1939 Act"). Each Trust exists for the exclusive purposes of (i) issuing its Trust Securities representing undivided beneficial interests in the assets of such Trust, (ii) investing the gross proceeds of its Trust Securities in a related series of Junior Subordinated Notes, and (iii) engaging in only those other activities necessary, appropriate, convenient or incidental thereto.

Each Trust's business and affairs will be conducted by its trustees, which shall be appointed by the Company as the holder of the Common Securities: two officers of the Company as Administrative Trustees, The Chase Manhattan Bank as Property Trustee; and Chase Manhattan Bank Delaware as Delaware Trustee. The Property Trustee of each Trust will act as the indenture trustee with respect to such Trust for purposes of compliance with the provisions of the 1939 Act.

The principal place of business of each Trust shall be c/o the Company, 500 Bayfront Parkway, Pensacola, Florida 32501, telephone (904) 444-6111, Attn: Treasurer.

Reference is made to the Prospectus Supplement relating to the Securities of a Trust for further information concerning such Trust.

ACCOUNTING TREATMENT

For financial reporting purposes, the Trusts will be treated as subsidiaries of the Company and, accordingly, the accounts of the Trusts will be included in the consolidated financial statements of the Company. The Securities will be presented as a separate line item in the consolidated balance sheet of the Company, and appropriate disclosures concerning the Securities, the Guarantees and the Junior Subordinated Notes will be included in the notes to the consolidated financial statements. For financial reporting purposes, the Company will record distributions payable on the Securities as an expense.

USE OF PROCEEDS

Each Trust will invest the proceeds received from the sale of its Securities in Junior Subordinated Notes. Except as may be otherwise described in an applicable Prospectus Supplement, the net proceeds received by the Company from such investment will be used in connection with its ongoing construction program, to pay scheduled maturities and/or refundings of its securities, to repay short-term indebtedness to the extent outstanding and for other general corporate purposes.

RECENT RESULTS OF OPERATIONS

For the twelve months ended November 30, 1996, "Operating Revenues", "Income Before Interest Charges", and "Net Income After Dividends on Preferred Stock" were $635,408,000, $92,361,000 and $56,473,000, respectively. In the opinion of the management of the Company, the above amounts for the twelve months ended November 30, 1996 reflect all adjustments (which, except as described in the following paragraph, were only normal recurring adjustments) necessary to present fairly the results of operations for such period. The "Ratio of Earnings to Fixed Charges" and the "Ratio of Earnings to Fixed Charges Plus Preferred Dividend Requirements (Pre-Income Tax Basis)" for the twelve months ended November 30, 1996 were 4.16 and 3.22, respectively.

"Income Before Interest Charges" and "Net Income After Dividends on Preferred Stock" for the twelve months ended November 30, 1996 reflect charges of approximately $5,000,000, after taxes, reflecting benefits provided pursuant to a work force reduction program announced in the fourth quarter of 1995.

DESCRIPTION OF THE JUNIOR SUBORDINATED NOTES

Set forth below is a description of the general terms of the Junior Subordinated Notes. The following description does not purport to be complete and is subject to, and is qualified in its entirety by reference to, the Subordinated Note Indenture, dated as of January 1, 1997, between the Company and The Chase Manhattan Bank, as trustee (the "Indenture Trustee"), as to be supplemented by a supplemental indenture thereto establishing the Junior Subordinated Notes of each series (the Subordinated Note Indenture, as so supplemented, is hereinafter referred to as the "Subordinated Note Indenture"), the forms of which are filed as exhibits to the Registration Statement of which this Prospectus forms a part. The terms of the Junior Subordinated Notes will include those stated in the Subordinated Note Indenture and those made a part of

the Subordinated Note Indenture by reference to the 1939 Act. Certain capitalized terms used herein are defined in the Subordinated Note Indenture.

General

The Junior Subordinated Notes will be issued as unsecured junior subordinated debt securities under the Subordinated Note Indenture. The Subordinated Note Indenture does not limit the aggregate principal amount of Junior Subordinated Notes that may be issued thereunder and provides that Junior Subordinated Notes may be issued from time to time in one or more series pursuant to an indenture supplemental to the Subordinated Note Indenture.

Reference is made to the Prospectus Supplement that will accompany this Prospectus for the following terms of the series of Junior Subordinated Notes being offered thereby: (i) the title of such Junior Subordinated Notes; (ii) any limit on the aggregate principal amount of such Junior Subordinated Notes; (iii) the date or dates on which the principal of such Junior Subordinated Notes is payable; (iv) the rate or rates at which such Junior Subordinated Notes shall bear interest, if any, or any method by which such rate or rates will be determined, the date or dates from which such interest will accrue, the interest payment dates on which such interest shall be payable, and the regular record date for the interest payable on any interest payment date; (v) the place or places where the principal of (and premium, if any) and interest, if any, on such Junior Subordinated Notes shall be payable; (vi) the period or periods within which, the price or prices at which and the terms and conditions on which such Junior Subordinated Notes may be redeemed, in whole or in part, at the option of the Company; (vii) the obligation, if any, of the Company to redeem or purchase such Junior Subordinated Notes; (viii) the denominations in which such Junior Subordinated Notes shall be issuable; (ix) if other than the principal amount thereof, the portion of the principal amount of such Junior Subordinated Notes which shall be payable upon declaration of acceleration of the maturity thereof; (x) any deletions from, modifications of or additions to the Events of Default or covenants of the Company as provided in the Subordinated Note Indenture pertaining to such Junior Subordinated Notes; (xi) whether such Junior Subordinated Notes shall be issued in whole or in part in the form of a Global Security; (xii) the right, if any, of the Company to extend the interest payment periods of such Junior Subordinated Notes; and (xiii) any other terms of such Junior Subordinated Notes. The terms of each series of Junior Subordinated Notes issued to a Trust will correspond to those of the related Securities of such Trust as described in the Prospectus Supplement relating to such Securities.

The Subordinated Note Indenture does not contain provisions that afford holders of Junior Subordinated Notes protection in the event of a highly leveraged transaction involving the Company.

Subordination

The Junior Subordinated Notes are subordinated and junior in right of payment to all Senior Indebtedness (as defined below) of the Company. No payment of principal of (including redemption payments, if any), or premium, if any, or interest on (including Additional Interest (as defined herein)) the Junior Subordinated Notes may be made if (a) any Senior Indebtedness is not paid when due and any applicable grace period with respect to such default has ended with such default not being cured or waived or otherwise ceasing to exist, or (b) the maturity of any Senior Indebtedness has been accelerated because of a default, or (c) notice has been given of the exercise of an option to require repayment, mandatory payment or prepayment or otherwise. Upon any payment or distribution of assets of the Company to creditors upon any liquidation, dissolution, winding-up, reorganization, assignment for the benefit of creditors, marshalling of assets or liabilities, or any bankruptcy, insolvency or similar proceedings of the Company, the holders of Senior Indebtedness shall be entitled to receive payment in full of all amounts due or to become due on or in respect of all Senior Indebtedness before the holders of the Junior Subordinated Notes are entitled to receive or retain any payment or distribution. Subject to the prior payment of all Senior Indebtedness, the rights of the holders of the Junior Subordinated Notes will be subrogated to the rights of the holders of Senior Indebtedness to receive payments and distributions applicable to such Senior Indebtedness until all amounts owing on the Junior Subordinated Notes are paid in full.

The term "Senior Indebtedness" means, with respect to the Company, (i) any payment due in respect of indebtedness of the Company, whether outstanding at the date of execution of the Subordinated Note Indenture or thereafter incurred, created or assumed, (a) in respect of money borrowed (including any financial derivative, hedging or futures contract or similar instrument) and (b) evidenced by securities, debentures, bonds, notes or other similar instruments issued by the Company that, by their terms, are senior or senior subordinated debt securities including, without limitation, all obligations under its indentures with various trustees; (ii) all capital lease obligations; (iii) all obligations issued or assumed as the deferred purchase price of property, all conditional sale obligations and all obligations of the Company under any title retention agreement (but excluding trade accounts payable arising in the ordinary course of business and long-term purchase obligations); (iv) all obligations for the reimbursement of any letter of credit, banker's acceptance, security purchase facility or similar credit transaction; (v) all obligations of the type referred to in clauses (i) through (iv) above of other persons the payment of which the Company is responsible or liable as obligor, guarantor or otherwise; and (vi) all obligations of the type referred to in clauses (i) through (v) above of other persons secured by any lien on any property or asset of the Company (whether or not such obligation is assumed by the Company), except for (1) any such indebtedness that is by its terms subordinated to or *pari passu* with the Junior Subordinated Notes and (2) any unsecured indebtedness between or among the Company or its affiliates. Such Senior Indebtedness shall continue to be Senior Indebtedness and be entitled to the benefits of the subordination provisions contained in the Subordinated Note Indenture irrespective of any amendment, modification or waiver of any term of such Senior Indebtedness.

The Subordinated Note Indenture does not limit the aggregate amount of Senior Indebtedness that may be issued by the Company. As of September 30, 1996, Senior Indebtedness of the Company aggregated approximately $413,000,000.

Additional Interest

"Additional Interest" is defined in the Subordinated Note Indenture as (i) such additional amounts as may be required so that the net amounts received and retained by a holder of Junior Subordinated Notes (if the holder is a Trust) after paying taxes, duties, assessments or governmental charges of whatever nature (other than withholding taxes) imposed by the United States or any other taxing authority will not be less than the amounts the holder would have received had no such taxes, duties, assessments, or other governmental charges been imposed; and (ii) any interest due and not paid on an interest payment date, together with interest thereon from such interest payment date to the date of payment, compounded quarterly on each interest payment date.

Certain Covenants

The Company covenants in the Subordinated Note Indenture, for the benefit of the holders of each series of Junior Subordinated Notes, that, (i) if at such time the Company shall have given notice of its election to extend an interest payment period for such series of Junior Subordinated Notes and such extension shall be continuing, (ii) if at such time the Company shall be in default with respect to its payment or other obligations under the Guarantee with respect to the Trust Securities, if any, related to such series of Junior Subordinated Notes, or (iii) if at such time an Event of Default thereunder with respect to such series of Junior Subordinated Notes shall have occurred and be continuing, (a) the Company shall not declare or pay any dividend or make any distributions with respect to, or redeem, purchase, acquire or make a liquidation payment with respect to, any of its capital stock, and (b) the Company shall not make any payment of interest, principal or premium, if any, on or repay, repurchase or redeem any debt securities (including guarantees other than the Guarantees) issued by the Company which rank *pari passu* with or junior to the Junior Subordinated Notes. None of the foregoing, however, shall restrict (i) any of the actions described in the preceding sentence resulting from any reclassification of the Company's capital stock or the exchange or conversion of one class or series of the Company's capital stock for another class or series of the Company's capital stock, or (ii) the purchase of fractional interests in shares of the Company's capital stock pursuant to the conversion or exchange provisions of such capital stock or the security being converted or exchanged.

The Subordinated Note Indenture further provides that, for so long as the Trust Securities of any Trust remain outstanding, the Company covenants (i) to directly or indirectly maintain 100% ownership of the Common Securities of such Trust; provided, however, that any permitted successor of the Company under the Subordinated Note Indenture may succeed to the Company's ownership of such Common Securities, and (ii) to use its reasonable efforts to cause such Trust (a) to remain a statutory business trust, except in connection with the distribution of Junior Subordinated Notes to the holders of Trust Securities in liquidation of such Trust, the redemption of all of the Trust Securities of such Trust, or certain mergers, consolidations or amalgamations, each as permitted by the related Trust Agreement, and (b) to otherwise continue to be classified as a grantor trust for United States federal income tax purposes.

Events of Default

The Subordinated Note Indenture provides that any one or more of the following described events with respect to the Junior Subordinated Notes of any series, which has occurred and is continuing, constitutes an "Event of Default" with respect to the Junior Subordinated Notes of such series:

(a) failure for 10 days to pay interest on the Junior Subordinated Notes of such series, including any Additional Interest (as defined in clause (ii) of the definition thereof in the Subordinated Note Indenture) in respect thereof, when due on an Interest Payment Date other than at maturity or upon earlier redemption; provided, however, that a valid extension of the interest payment period by the Company shall not constitute a default in the payment of interest for this purpose; or

(b) failure for 10 days to pay Additional Interest (as defined in clause (i) of the definition thereof in the Subordinated Note Indenture); or

(c) failure to pay principal or premium, if any, or interest, including Additional Interest (as defined in clause (ii) of the definition thereof in the Subordinated Note Indenture), on the Junior Subordinated Notes of such series when due at maturity or upon earlier redemption; or

(d) failure for three Business Days to deposit any sinking fund payment when due by the terms of a Junior Subordinated Note of such series; or

(e) failure to observe or perform any other covenant or warranty of the Company in the Subordinated Note Indenture (other than a covenant or warranty which has expressly been included therein solely for the benefit of one or more series of Junior Subordinated Notes other than such series) for 90 days after written notice to the Company from the Indenture Trustee or the holders of at least 25% in principal amount of the outstanding Junior Subordinated Notes of such series; or

(f) certain events of bankruptcy, insolvency, or reorganization of the Company.

The holders of not less than a majority in aggregate outstanding principal amount of the Junior Subordinated Notes of any series have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Indenture Trustee with respect to the Junior Subordinated Notes of such series. If a Subordinated Note Indenture Event of Default occurs and is continuing with respect to the Junior Subordinated Notes of any series, then the Indenture Trustee or the holders of not less than 25% in aggregate outstanding principal amount of the Junior Subordinated Notes of such series may declare the principal amount thereof due and payable immediately by notice in writing to the Company (and to the Indenture Trustee if given by the holders), and upon any such declaration such principal amount shall become immediately due and payable. At any time after such a declaration of acceleration with respect to the Junior Subordinated Notes of any series has been made and before a judgment or decree for payment of the money due has been obtained as provided in Article Five of the Subordinated Note Indenture, the holders of not less than a majority in aggregate outstanding principal amount of the Junior Subordinated Notes of such series may rescind and annul such declaration and its consequences if the default has been cured or waived and the Company has paid or deposited with the Indenture Trustee a sum sufficient to pay all matured installments of interest (including any Additional Interest) and principal due otherwise than by acceleration and all sums paid or advanced by the Indenture Trustee including reasonable compensation and expenses of the Indenture Trustee.

A holder of Securities may institute a legal proceeding directly against the Company, without first instituting a legal proceeding against the Property Trustee or any other person or entity, for enforcement of payment to such holder of principal of or interest on the Junior Subordinated Notes of the related series having a principal amount equal to the aggregate stated liquidation amount of the Securities of such holder on or after the due dates specified in the Junior Subordinated Notes of such series.

The holders of not less than a majority in aggregate outstanding principal amount of the Junior Subordinated Notes of any series may, on behalf of the holders of all the Junior Subordinated Notes of such series, waive any past default with respect to such series, except (i) a default in the payment of principal or interest or (ii) a default in respect of a covenant or provision which under Article Nine of the Subordinated Note Indenture cannot be modified or amended thereunder without the consent of the holder of each outstanding Junior Subordinated Note of such series affected thereby.

Registration and Transfer

The Company shall not be required to (i) issue, register the transfer of or exchange Junior Subordinated Notes of any series during a period of 15 days immediately preceding the date notice is given identifying the Junior Subordinated Notes of such series called for redemption, or (ii) register the transfer of or exchange any Junior Subordinated Notes so selected for redemption, in whole or in part, except the unredeemed portion of any Junior Subordinated Note being redeemed in part.

Payment and Paying Agent

Unless otherwise indicated in an applicable Prospectus Supplement, payment of principal of any Junior Subordinated Notes will be made only against surrender to the Paying Agent of such Junior Subordinated Notes. Principal of and interest on Junior Subordinated Notes will be payable, subject to any applicable laws and regulations, at the office of such Paying Agent or Paying Agents as the Company may designate from time to time, except that, at the option of the Company, payment of any interest may be made by wire transfer or by check mailed to the address of the person entitled thereto as such address shall appear in the Security Register with respect to the Junior Subordinated Notes. Payment of interest on Junior Subordinated Notes on any interest payment date will be made to the person in whose name the Junior Subordinated Notes (or predecessor security) are registered at the close of business on the Record Date for such interest payment (the fifteenth calendar day before such interest payment date).

The Indenture Trustee will act as Paying Agent with respect to the Junior Subordinated Notes. The Company may at any time designate additional Paying Agents or rescind the designation of any Paying Agents or approve a change in the office through which any Paying Agent acts.

All moneys paid by the Company to a Paying Agent for the payment of the principal of or interest on the Junior Subordinated Notes of any series which remain unclaimed at the end of two years after such principal or interest shall have become due and payable will be repaid to the Company, and the holder of such Junior Subordinated Notes will thereafter look only to the Company for payment thereof.

Modification

The Subordinated Note Indenture contains provisions permitting the Company and the Indenture Trustee, with the consent of the holders of not less than a majority in principal amount of the outstanding Junior Subordinated Notes of each series affected thereby, to modify the Subordinated Note Indenture or the rights of the holders of the Junior Subordinated Note of such series, provided, that no such modification may, without the consent of the holder of each outstanding Junior Subordinated Note affected thereby, (i) change the stated maturity of the principal of, or any installment of principal of or interest on, any Junior Subordinated Note, or reduce the principal amount thereof or the rate of interest (including Additional Interest) thereon or any premium payable upon the redemption thereof, or change the method of calculating the rate of interest thereon, or impair the right to institute suit for the enforcement of any such payment on or after the stated maturity thereof (or, in the case of redemption, on or after the redemption date), or (ii) reduce the percentage of principal amount of the outstanding Junior Subordinated Notes of any series the

consent of whose holders is required for any such supplemental indenture, or the consent of whose holders is required for any waiver (of compliance with certain provisions of the Subordinated Note Indenture or certain defaults thereunder and their consequences) provided for in the Subordinated Note Indenture or (iii) modify any of the provisions of the Subordinated Note Indenture relating to supplemental indentures, waiver of past defaults, or waiver of certain covenants, except to increase any such percentage or to provide that certain other provisions of the Subordinated Note Indenture cannot be modified or waived without the consent of the holder of each outstanding Junior Subordinated Note affected thereby, or (iv) modify the provisions of the Subordinated Note Indenture with respect to the subordination of the Junior Subordinated Notes in a manner adverse to such holder.

In addition, the Company and the Indenture Trustee may execute, without the consent of any holders of Junior Subordinated Notes, any supplemental indenture for certain other usual purposes, including the creation of any new series of junior subordinated notes.

Consolidation, Merger and Sale

The Company shall not consolidate with or merge into any other corporation or convey, transfer or lease its properties and assets substantially as an entirety to any person, unless (1) such other corporation or person is a corporation organized and existing under the laws of the United States, any state thereof or the District of Columbia and such other corporation or person expressly assumes, by supplemental indenture executed and delivered to the Indenture Trustee, the payment of the principal of (and premium, if any) and interest (including Additional Interest) on all the Junior Subordinated Notes and the performance of every covenant of the Subordinated Note Indenture on the part of the Company to be performed or observed, (2) immediately after giving effect to such transactions, no Event of Default, and no event which, after notice or lapse of time or both, would become an Event of Default, shall have happened and be continuing, and (3) the Company has delivered to the Indenture Trustee an officers' certificate and an opinion of counsel, each stating that such transaction complies with the provisions of the Subordinated Note Indenture governing consolidation, merger, conveyance, transfer or lease and that all conditions precedent thereto have been complied with.

Information Concerning the Indenture Trustee

The Indenture Trustee, prior to an Event of Default with respect to Junior Subordinated Notes of any series, undertakes to perform, with respect to Junior Subordinated Notes of such series, only such duties as are specifically set forth in the Subordinated Note Indenture and, in case an Event of Default with respect to Junior Subordinated Notes of any series has occurred and is continuing, shall exercise, with respect to Junior Subordinated Notes of such series, the same degree of care as a prudent individual would exercise in the conduct of his or her own affairs. Subject to such provision, the Indenture Trustee is under no obligation to exercise any of the powers vested in it by the Subordinated Note Indenture at the request of any holder of Junior Subordinated Notes of any series, unless offered reasonable indemnity by such holder against the costs, expenses and liabilities which might be incurred thereby. The Indenture Trustee is not required to expend or risk its own funds or otherwise incur any financial liability in the performance of its duties if the Indenture Trustee reasonably believes that repayment or adequate indemnity is not reasonably assured to it.

The Chase Manhattan Bank, the Indenture Trustee, also serves as Property Trustee and as Guarantee Trustee. The Company and certain of its affiliates maintain deposit accounts and banking relationships with The Chase Manhattan Bank. The Chase Manhattan Bank also serves as trustee under other indentures pursuant to which securities of the Company and affiliates of the Company are outstanding.

Governing Law

The Subordinated Note Indenture and the Junior Subordinated Notes will be governed by, and construed in accordance with, the internal laws of the State of New York.

Miscellaneous

The Company will have the right at all times to assign any of its rights or obligations under the Subordinated Note Indenture to a direct or indirect wholly-owned subsidiary of the Company; provided that, in the event of any such assignment, the Company will remain primarily liable for all such obligations. Subject

[illegible] the foregoing, the Subordinated Note Indenture will be binding upon and inure to the benefit of the parties thereto and their respective successors and assigns.

DESCRIPTION OF THE SECURITIES

Each Trust may issue only one series of Securities having terms described in the Prospectus Supplement relating thereto. The Trust Agreement of each Trust will authorize the Administrative Trustees, on behalf of the Trust, to issue the Securities of such Trust. The Securities of each Trust will have such terms, including distributions, redemption, voting, liquidation rights and such other preferred, deferral or other special rights or such restrictions as shall be set forth in the Trust Agreement of such Trust. Reference is made to the Prospectus Supplement relating to the Securities of a Trust for specific terms, including (i) the distinctive designation of such Securities, (ii) the number of Securities issued by such Trust, (iii) the annual distribution rate (or method of determining such rate) for Securities of such Trust and the date or dates on which such distributions shall be payable; (iv) whether distributions on such Securities shall be cumulative and, in the case of Securities having cumulative distribution rights, the date or dates, or method of determining the date or dates, from which distributions on such Securities shall be cumulative, (v) the amount or amounts that shall be paid out of the assets of such Trust to the holders of the Securities of such Trust upon voluntary or involuntary dissolution, winding-up or termination of such Trust, (vi) the obligation, if any, of such Trust to purchase or redeem such Securities and the price or prices at which, the period or periods within which, and the terms and conditions upon which such Securities shall be purchased or redeemed, in whole or in part, pursuant to such obligation; (vii) the voting rights, if any, of such Securities in addition to those required by law, including the number of votes per Security and any requirement for the approval by the holders of Securities as a condition to specified action or amendments to the Trust Agreement of such Trust, (viii) the rights, if any, to defer distributions on the Securities by extending the interest payment period on the related Junior Subordinated Notes; and (ix) any other relative rights, preferences, privileges, limitations or restrictions of such Securities not inconsistent with the Trust Agreement of such Trust or applicable law. All Securities offered hereby will be guaranteed by the Company to the extent set forth under "Description of the Guarantees." Any material United States federal income tax considerations applicable to an offering of Securities will be described in the Prospectus Supplement relating thereto.

DESCRIPTION OF THE GUARANTEES

Set forth below is a summary of information concerning the Guarantees that will be executed and delivered by the Company for the benefit of the holders of Securities of the respective Trusts from time to time. Each Guarantee will be qualified as an indenture under the 1939 Act. The Chase Manhattan Bank will act as indenture trustee under each Guarantee (the "Guarantee Trustee") for purposes of the 1939 Act. The terms of the respective Guarantees will be those set forth therein and those made part thereof by the 1939 Act. The following summary does not purport to be complete and is subject in all respects to the provisions of, and is qualified in its entirety by reference to, the Guarantees, the form of which is filed as an exhibit to the Registration Statement of which this Prospectus forms a part, and the 1939 Act. Each Guarantee will be held by the Guarantee Trustee for the benefit of holders of the Securities to which it relates.

General

Pursuant to each Guarantee, the Company will irrevocably and unconditionally agree, to the extent set forth therein, to pay in full, to the holders of the related Securities, the Guarantee Payments (as defined herein), to the extent not paid by, or on behalf of, the related Trust, regardless of any defense, right of set-off or counterclaim that the Company may have or assert against any person. The following payments or distributions with respect to the Securities of any Trust to the extent not paid or made by, or on behalf of, such Trust will be subject to the Guarantee related thereto (without duplication): (i) any accrued and unpaid distributions required to be paid on the Securities of such Trust but if and only if and to the extent that such Trust has funds legally and immediately available therefor, (ii) the redemption price, including all accrued and unpaid distributions to the date of redemption (the "Redemption Price"), with respect to any Securities

called for redemption by such Trust, but if and only to the extent such Trust has funds legally and immediately available therefor, and (iii) upon a dissolution, winding-up or termination of such Trust (other than in connection with the distribution of Junior Subordinated Notes to the holders of Trust Securities of such Trust or the redemption of all of the Securities of such Trust), the lesser of (a) the aggregate of the liquidation amount and all accrued and unpaid distributions on the Securities of such Trust to the date of payment, to the extent such Trust has funds legally and immediately available therefor, and (b) the amount of assets of such Trust remaining available for distribution to holders of Securities of such Trust in liquidation of such Trust (the "Guarantee Payments"). The Company's obligation to make a Guarantee Payment may be satisfied by direct payment of the required amounts by the Company to the holders of the related Securities or by causing the related Trust to pay such amounts to such holders.

Each Guarantee will be a guarantee of the Guarantee Payments with respect to the related Securities from the time of issuance of such Securities, but will not apply to the payment of distributions and other payments on such Securities when the related Trust does not have sufficient funds legally and immediately available to make such distributions or other payments. **If the Company does not make interest payments on the Junior Subordinated Notes held by the Property Trustee under any Trust, such Trust will not make distributions on its Securities.**

Subordination

The Company's obligations under each Guarantee to make the Guarantee Payments will constitute an unsecured obligation of the Company and will rank (i) subordinate and junior in right of payment to all other liabilities of the Company, including the Junior Subordinated Notes, except those obligations or liabilities made *pari passu* or subordinate by their terms, (ii) *pari passu* with the most senior preferred or preference stock now or hereafter issued by the Company and with any guarantee now or hereafter entered into by the Company in respect of any preferred or preference securities of any affiliate of the Company, and (iii) senior to all common stock of the Company. The terms of the Securities will provide that each holder of Securities by acceptance thereof agrees to the subordination provisions and other terms of the Guarantee related thereto. The Company has outstanding preferred stock that ranks *pari passu* to the Guarantees and common stock that ranks junior to the Guarantees. See "Selected Information — Selected Financial Information."

Each Guarantee will constitute a guarantee of payment and not of collection (that is, the guaranteed party may institute a legal proceeding directly against the guarantor to enforce its rights under the guarantee without first instituting a legal proceeding against any other person or entity).

Amendments and Assignment

Except with respect to any changes that do not materially and adversely affect the rights of holders of the related Securities (in which case no consent will be required), each Guarantee may be amended only with the prior approval of the holders of not less than 66⅔% in liquidation amount of such outstanding Securities. The manner of obtaining any such approval of holders of the Securities will be as set forth in an accompanying Prospectus Supplement. All guarantees and agreements contained in each Guarantee shall bind the successors, assigns, receivers, trustees and representatives of the Company and shall inure to the benefit of the holders of the related Securities then outstanding.

Termination

Each Guarantee will terminate and be of no further force and effect as to the related Securities upon full payment of the Redemption Price of all such Securities, upon distribution of Junior Subordinated Notes to the holders of such Securities or upon full payment of the amounts payable upon liquidation of the related Trust. Each Guarantee will continue to be effective or will be reinstated, as the case may be, if at any time any holder of the related Securities must restore payment of any sums paid with respect to such Securities or under such Guarantee.

Events of Default

An event of default under each Guarantee will occur upon the failure by the Company to perform any of its payment obligations thereunder. The holders of a majority in liquidation amount of the Securities to which any Guarantee relates have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Guarantee Trustee in respect of such Guarantee or to direct the exercise of any trust or power conferred upon the Guarantee Trustee under such Guarantee. Any holder of the related Securities may institute a legal proceeding directly against the Company to enforce its rights under such Guarantee without first institut. a legal proceeding against the Guarantee Trustee or any other person or entity. The holders of a majority in liquidation amount of Securities of any series may, by vote, on behalf of the holders of all the Securities of such series, waive any past event of default and its consequences.

Information Concerning the Guarantee Trustee

The Guarantee Trustee, prior to the occurrence of any event of default with respect to any Guarantee and after the curing or waiving of all events of default with respect to such Guarantee, undertakes to perform only such duties as are specifically set forth in such Guarantee and, in case an event of default has occurred, shall exercise the same degree of care as a prudent individual would exercise in the conduct of his or her own affairs. Subject to such provisions, the Guarantee Trustee is under no obligation to exercise any of the powers vested in it by any Guarantee at the request of any holder of the related Securities, unless offered reasonable indemnity against the costs, expenses and liabilities which might be incurred thereby.

The Chase Manhattan Bank, the Guarantee Trustee, also serves as Property Trustee and as Indenture Trustee. The Company and certain of its affiliates maintain deposit accounts and banking relationships with The Chase Manhattan Bank. The Chase Manhattan Bank serves as trustee under other indentures pursuant to which securities of the Company and affiliates of the Company are outstanding.

Governing Law

Each Guarantee will be governed by, and construed in accordance with, the internal laws of the State of New York.

The Agreements as to Expenses and Liabilities

Pursuant to an Agreement as to Expenses and Liabilities to be entered into by the Company under each Trust Agreement, the Company will irrevocably and unconditionally guarantee to each person or entity to whom each Trust becomes indebted or liable the full payment of any indebtedness, expenses or liabilities of such Trust, other than obligations of such Trust to pay to the holders of the related Securities or other similar interests in such Trust the amounts due such holders pursuant to the terms of such Securities or such other similar interests, as the case may be.

RELATIONSHIP AMONG THE SECURITIES, THE JUNIOR SUBORDINATED NOTES AND THE GUARANTEES

As long as payments of interest and other payments are made when due on each series of Junior Subordinated Notes issued to a Trust, such payments will be sufficient to cover distributions and payments due on the related Trust Securities of such Trust primarily because (i) the aggregate principal amount of each series of Junior Subordinated Notes will be equal to the sum of the aggregate stated liquidation amount of the related Trust Securities, (ii) the interest rate and interest and other payment dates on each series of Junior Subordinated Notes will match the distribution rate and distribution and other payment dates for the related Securities, (iii) the Company shall pay for all costs and expenses of each Trust pursuant to the Agreements as to Expenses and Liabilities and (iv) each Trust Agreement provides that the Securities Trustees thereunder shall not cause or permit the Trust to, among other things, engage in any activity that is not consistent with the purposes of the Trust.

Payments of distributions (to the extent funds therefor are legally and immediately available) and other payments due on the Securities (to the extent funds therefor are legally and immediately available) will be guaranteed by the Company as and to the extent set forth under "Description of the Guarantees." If the Company does not make interest payments on any series of Junior Subordinated Notes, it is not expected that the related Trust will have sufficient funds to pay distributions on its Securities. Each Guarantee is a guarantee from the time of its issuance, but does not apply to any payment of distributions unless and until the related Trust has sufficient funds legally and immediately available for the payment of such distributions.

If the Company fails to make interest or other payments on any series of Junior Subordinated Notes when due (taking into account any extension period as described in the applicable Prospectus Supplement), the Trust Agreement provides a mechanism whereby the holders of the related Securities may appoint a substitute Property Trustee. Such holders may also direct the Property Trustee to enforce its rights under the Junior Subordinated Notes of such series, including proceeding directly against the Company to enforce such Junior Subordinated Notes. If the Property Trustee fails to enforce its rights under any series of Junior Subordinated Notes, to the fullest extent permitted by applicable law, any holder of related Securities may institute a legal proceeding directly against the Company to enforce the Property Trustee's rights under such series of Junior Subordinated Notes without first instituting any legal proceeding against the Property Trustee or any other person or entity. Notwithstanding the foregoing, a holder of Securities may institute a legal proceeding directly against the Company, without first instituting a legal proceeding against the Property Trustee or any other person or entity, for enforcement of payment to such holder of principal of or interest on Junior Subordinated Notes of the related series having a principal amount equal to the aggregate stated liquidation amount of the Securities of such holder on or after the due dates specified in the Junior Subordinated Notes of such series.

If the Company fails to make payments under any Guarantee, such Guarantee provides a mechanism whereby the holders of the Securities to which such Guarantee relates may direct the Guarantee Trustee to enforce its rights thereunder. In addition, any holder of Securities may institute a legal proceeding directly against the Company to enforce the Guarantee Trustee's rights under the related Guarantee without first instituting a legal proceeding against the Guarantee Trustee or any other person or entity.

Each Guarantee, the Subordinated Note Indenture, the Junior Subordinated Notes of the related series, the related Trust Agreement and the related Agreement as to Expenses and Liabilities, as described above, constitute a full and unconditional guarantee by the Company of the payments due on the related series of Securities.

Upon any voluntary or involuntary dissolution, winding-up or termination of any Trust, unless Junior Subordinated Notes of the related series are distributed in connection therewith, the holders of Securities of such Trust will be entitled to receive, out of assets legally available for distribution to holders, a liquidation distribution in cash as described in the applicable Prospectus Supplement. Upon any voluntary or involuntary liquidation or bankruptcy of the Company, the Property Trustee, as holder of the related series of Junior Subordinated Notes, would be a subordinated creditor of the Company, subordinated in right of payment to all Senior Indebtedness, but entitled to receive payment in full of principal and interest before any stockholders of the Company receive payments or distributions. Because the Company is guarantor under each Guarantee and has agreed to pay for all costs, expenses and liabilities of each Trust (other than the Trust's obligations to holders of the Securities) pursuant to the related Agreement as to Expenses and Liabilities, the positions of a holder of Securities and a holder of Junior Subordinated Notes of the related series relative to other creditors and to stockholders of the Company in the event of liquidation or bankruptcy of the Company would be substantially the same.

A default or event of default under any Senior Indebtedness would not constitute a default or Event of Default under the Subordinated Note Indenture. However, in the event of payment defaults under or acceleration of, Senior Indebtedness, the subordination provisions of the Junior Subordinated Notes provide that no payments may be made in respect of the Junior Subordinated Notes until such Senior Indebtedness has been paid in full or any payment default thereunder has been cured or waived. Failure to make required payments on the Junior Subordinated Notes of any series would constitute an Event of Default under the

Subordinated Note Indenture with respect to the Junior Subordinated Notes of such series except that failure to make interest payments on the Junior Subordinated Notes of such series will not be an Event of Default during an extension period as described in the applicable Prospectus Supplement

POSSIBLE TAX LAW CHANGES

On March 19, 1996, the Revenue Reconciliation Bill of 1996 (the "Bill"), the revenue portion of President Clinton's 1996 budget proposal, was released. The Bill would, among other things, generally deny interest deductions for interest on an instrument, issued by a corporation, that has a maximum term of more than 20 years and that is not shown as indebtedness on the separate balance sheet of the issuer or, where the instrument is issued to a related party (other than a corporation), where the holder or some other related party issues a related instrument that is not shown as indebtedness on the issuer's consolidated balance sheet. The above-described provisions of the Bill were proposed to be effective generally for instruments issued on or after December 7, 1995. If such provisions were to apply to the Junior Subordinated Notes of any series, the Company would be unable to deduct interest on the Junior Subordinated Notes of such series. However, on March 29, 1996, the Chairmen of the Senate Finance and House Ways and Means Committees issued a joint statement to the effect that it was their intention that the effective date of the President's legislative proposals, if adopted, will be no earlier than the date of appropriate Congressional action. The Company believes that, under current law, it will be able to deduct interest on the Junior Subordinated Notes. There can be no assurance, however, that current or future legislative proposals or final legislation will not affect the ability of the Company to deduct interest on the Junior Subordinated Notes. Such a change could give rise to certain events which may permit the Company to cause a redemption of the Securities or a determination by the Company to terminate a Trust and cause the Junior Subordinated Notes of the related series to be distributed to the holders of the Securities of such Trust in liquidation thereof, all as described in the applicable Prospectus Supplement.

PLAN OF DISTRIBUTION

The Company may sell the Junior Subordinated Notes and the Trusts may sell the Securities in one or more of the following ways from time to time: (i) to underwriters for resale to the public or to institutional investors, (ii) directly to institutional investors, or (iii) through agents to the public or to institutional investors. The Prospectus Supplement with respect to each series of Junior Subordinated Notes or Securities will set forth the terms of the offering of such Junior Subordinated Notes or Securities, including the name or names of any underwriters or agents, the purchase price of such Junior Subordinated Notes or Securities and the proceeds to the Company or the applicable Trust from such sale, any underwriting discounts or agency fees and other items constituting underwriters' or agents' compensation, any initial public offering price, any discounts or concessions allowed or reallowed or paid to dealers and any securities exchange on which such Junior Subordinated Notes or Securities may be listed.

If underwriters participate in the sale, such Junior Subordinated Notes or Securities will be acquired by the underwriters for their own account and may be resold from time to time in one or more transactions, including negotiated transactions, at a fixed public offering price or at varying prices determined at the time of sale.

Unless otherwise set forth in the Prospectus Supplement, the obligations of the underwriters to purchase any series of Junior Subordinated Notes or Securities will be subject to certain conditions precedent and the underwriters will be obligated to purchase all of such series of Junior Subordinated Notes or Securities, if any, are purchased.

Underwriters and agents may be entitled under agreements entered into with the Company and/or the applicable Trust to indemnification against certain civil liabilities, including liabilities under the 1933 Act. Underwriters and agents may engage in transactions with, or perform services for, the Company in the ordinary course of business.

Each series of Junior Subordinated Notes or Securities will be a new issue of securities and will have no established trading market. Any underwriters to whom Junior Subordinated Notes or Securities are sold for public offering and sale may make a market in such Junior Subordinated Notes or Securities, but such underwriters will not be obligated to do so and may discontinue any market making at a y time without notice. The Junior Subordinated Notes or Securities may or may not be listed on a national securities exchange

LEGAL MATTERS

Certain matters of Delaware law relating to the validity of the Securities will be passed upon on behalf of the Company and the Trusts by Richards, Layton & Finger, Wilmington, Delaware, special Delaware counsel to the Company and the Trusts. The validity of the Junior Subordinated Notes, the Guarantees and certain matters relating thereto will be passed upon on behalf of the Company by Beggs & Lane, Pensacola, Florida, and by Troutman Sanders LLP, Atlanta, Georgia. Certain legal matters will be passed upon for the Underwriters by Dewey Ballantine, New York, New York.

EXPERTS

The financial statements and schedules of the Company included in the Company's Annual Report on Form 10-K for the year ended December 31, 1995, incorporated by reference in this Prospectus, have been audited by Arthur Andersen LLP, independent public accountants, as indicated in their reports with respect thereto, and are incorporated herein in reliance upon the authority of said firm as experts in accounting and auditing in giving said reports.

Statements as to matters of law and legal conclusions in the Company's Annual Report on Form 10-K for the year ended December 31, 1995, relating to titles to property of the Company under "Item 2 Properties — Titles to Property", and relating to the Company under "Item 1 Business Regulation", "Item 1 — Business — Rate Matters" and "Item 1 — Business — Competition", have been reviewed by Beggs & Lane, general counsel for the Company, and such statements are made upon the authority of such firm as experts.

No person has been authorized to give any information or to make any representations other than those contained or incorporated by reference in this Prospectus Supplement or the Prospectus and, if given or made, such information or representations must not be relied upon as having been authorized. This Prospectus Supplement and the Prospectus do not constitute an offer or solicitation by anyone in any state in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to anyone to whom it is unlawful to make such offer or solicitation. Neither the delivery of this Prospectus Supplement or the Prospectus nor any sale made hereunder or thereunder shall under any circumstance create an implication that there has been no change in the affairs of the Company since the date hereof.

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$20,000,000

Gulf Power Company

a subsidiary of The Southern Company

Series B 7.50%

Junior Subordinated Notes

Due June 30, 2037

Prospectus Supplement

The Robinson-Humphrey Company, Inc.

J.C. Bradford & Co.

Edward D. Jones & Co., L.P.

EXHIBIT 8.4.

BEGGS & LANE

ATTORNEYS AND COUNSELLORS AT LAW

POST OFFICE BOX 12950

PENSACOLA, FLORIDA 32576-2950

SEVENTH FLOOR BLOUNT BUILDING

3 WEST GARDEN STREET

PENSACOLA, FLORIDA 32501

TELEPHONE (904) 432-2451

TELECOPIER (904) 469-3330

ROBERT P. GAINES
W. SPENCER MITCHEM
JAMES M. WEBER
ROBERT L. CRONGEYER
JOHN F. WINDHAM
J. NIXON DANIEL, III
G. EDISON HOLLAND, JR.
RALPH A. PETERSON
GARY B. LEUCHTMAN
JOHN P. DANIEL
JEFFREY A. STONE
JAMES B. CAMPBELL
RUSSELL F. VAN SICKLE
RUSSELL A. BADDERS
GARY W. HUSTON
DAVID J. BARBERIE
MARY JANE THIES
JAMES J. CRONGEYER, JR.
DAVID L. McGEE

E. DIXIE BEGGS
Retired

BERT H. LANE
(1917-1981)

August 1, 1997

The Robinson-Humphrey Company, Inc.,
as Representative
3333 Peachtree Road, N.E.
Atlanta, Georgia 30326

GULF POWER COMPANY
SERIES B 7.50% JUNIOR SUBORDINATED NOTES DUE JUNE 30, 2037

Ladies and Gentlemen:

We have acted as general counsel to Gulf Power Company (the "Company") in connection with (i) the Company's issuance and sale of $20,000,000 aggregate principal amount of its Series B 7.50% Junior Subordinated Notes due June 30, 2037 (the "Notes") pursuant to a Subordinated Note Indenture dated as of January 1, 1997, by and between the Company and The Chase Manhattan Bank, as trustee, as heretofore supplemented and as further supplemented by the Second Supplemental Indenture dated as of August 1, 1997 (collectively, the "Indenture"); and (ii) the purchase by you of the Notes pursuant to the terms of an Underwriting Agreement dated July 28, 1997 (the "Underwriting Agreement"), among the Company and the underwriters named in Schedule I thereto (the "Underwriters") for whom you are acting as Representative. This opinion is being delivered to you as Representative pursuant to Section 5(c)(1) of the Underwriting Agreement.

All capitalized terms not otherwise defined herein shall have the meanings set forth in the Underwriting Agreement.

In rendering the opinions expressed below, we have examined the registration statement on Form S-3 (Nos. 333-19271, 333-19271-01 and 333-19271-02) pertaining to the Notes and certain other securities (the "Registration Statement") filed under the Securities Act of 1933, as amended (the "Act"), and the prospectus of the Company dated January 10, 1997, as supplemented by the prospectus supplement dated July 28, 1997 (the "Final Supplemented Prospectus"), which pursuant to Form S-3 incorporates by reference the Annual Report on Form

10-K of the Company for the fiscal year ended December 31, 1996, the Quarterly Report on Form 10-Q of the Company for the quarter ended March 31, 1997 and the Current Reports on Form 8-K of the Company dated January 27, 1997, February 12, 1997 and July 28, 1997 (the "Exchange Act Documents"), each as filed under the Securities Exchange Act of 1934, as amended (the "Exchange Act").

In addition, we have examined, and have relied as to matters of fact upon, the documents delivered to you at the closing (except the certificate representing the Notes, of which we have examined a specimen), and we have made such other and further investigations as we deemed necessary to express the opinions hereinafter set forth. In such examination, we have assumed the genuineness of all signatures, the legal capacity of natural persons, the authenticity of all documents submitted to us as originals, the conformity to original documents of all documents submitted to us as certified or photostatic copies, and the authenticity of the originals of such latter documents.

The Indenture and the Underwriting Agreement are herein referred to collectively as the "Agreements."

Based upon the foregoing, and subject to the qualifications and limitations stated herein, we are of the opinion, relying as to matters of New York law upon the opinion dated the date hereof rendered to you by Dewey Ballantine, and as to matters of Georgia law and with respect to the Act, the Exchange Act, the Trust Indenture Act (as hereinafter defined) and the Public Utility Holding Company Act of 1935, as amended, and the Investment Company Act of 1940, as amended, on the opinion dated the date hereof rendered to you by Troutman Sanders LLP, that:

1. The Company has been duly incorporated and is validly existing as a corporation in good standing under the laws of the State of Maine, is duly qualified to carry on its business as a foreign corporation under the laws of the States of Florida, Georgia and Mississippi, and has due corporate authority to carry on the public utility business in which it is engaged, to own and operate the properties used by it in such business and to enter into and perform its obligations under the Agreements and the Notes.

2. The execution, delivery and performance by the Company of the Underwriting Agreement have been duly authorized by all necessary corporate action, and the Underwriting Agreement has been duly executed and delivered by the Company.

3. All orders, consents or other authorizations or approvals of the Florida Public Service Commission and the Commission legally required for the issuance and sale of the Notes have been obtained; such orders are sufficient for the issuance and sale of the Notes; the issuance and sale of the Notes conform in all material respects with the terms of such orders, and no other order, consent or other authorization or approval of any Florida or United States governmental body (other than in connection or in compliance with the provisions of the securities or "blue sky" laws of any jurisdiction, as to which we express no opinion) is legally required for the issuance and sale of the Notes in accordance with the terms of the Underwriting Agreement.

4. The Indenture has been duly authorized, executed and delivered by the Company and, assuming the due authorization, execution and delivery thereof by the Debt Trustee, constitutes a valid and legally binding instrument of the Company, enforceable against the Company in accordance with its terms, subject to the qualifications that the enforceability of the Company's obligations under the Indenture may be limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws relating to or affecting creditors' rights generally and by general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law); and the Indenture conforms as to legal matters in all material respects to the description thereof in the Final Supplemented Prospectus.

5. The Notes have been duly authorized and executed by the Company and, when authenticated by the Debt Trustee in the manner provided in the Indenture and delivered to and paid for by the Underwriters pursuant to the Underwriting Agreement, will constitute valid and binding obligations of the Company, enforceable against the Company in accordance with their terms, subject to the qualifications that the enforceability of the Company's obligations under the Notes may be limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws relating to or affecting creditors' rights generally and by general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law); and the Notes conform as to legal matters in all material respects to the description thereof in the Final Supplemented Prospectus.

6. The Indenture has been duly qualified under the Trust Indenture Act of 1939, as amended (the "Trust Indenture Act").

We have not independently verified the accuracy, completeness or fairness of the statements made or included in the Registration Statement, the Final Supplemented Prospectus or the Exchange Act Documents and take no responsibility therefor, except as and to the extent set forth in paragraphs 4 and 5 above and in the second paragraph under the caption "Experts" in

the Final Supplemented Prospectus. In the course of the preparation by the Company of the Registration Statement, the Final Supplemented Prospectus and the Exchange Act Documents, we participated in conferences with certain officers and employees of the Company, with other counsel for the Company, with representatives of Arthur Andersen LLP and with your counsel. Based upon our examination of the Registration Statement, the Final Supplemented Prospectus and the Exchange Act Documents, our investigations made in connection with the preparation of the Registration Statement, the Final Supplemented Prospectus and the Exchange Act Documents and our participation in the conferences referred to above, (i) we are of the opinion that the Registration Statement, as of its effective date, and the Final Supplemented Prospectus, as of July 28, 1997, complied as to form in all material respects with the requirements of the Act and the applicable rules and regulations of the Commission thereunder and that the Exchange Act Documents, as of their respective dates of filing with the Commission, complied as to form in all material respects with the relevant requirements of the Exchange Act and the applicable rules and regulations of the Commission thereunder, except that in each case we express no opinion as to the financial statements or other financial or statistical data contained or incorporated by reference in the Registration Statement, the Final Supplemented Prospectus or the Exchange Act Documents, and (ii) nothing came to our attention which gives us reason to believe that the Registration Statement, as of the date of filing with the Commission of the Annual Report on Form 10-K of the Company for the fiscal year ended December 31, 1996 (including such Annual Report on Form 10-K), contained any untrue statement of a material fact or omitted to state any ma .ial fact required to be stated therein or necessary in order to make the statements therein not misleading, or that the Final Supplemented Prospectus (including the Exchange Act Documents) contains any untrue statement of a material fact or omits to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading, except that in each case we express no opinion or belief with respe . to the financial statements or other financial or statistical data contained or incorporated by reference in the Registration Statement, the Final Supplemented Prospectus or the Exchange Act Documents.

We are members of the State Bar of Florida and we do not express any opinion herein concerning any law other than the law of the States of Florida and Mississippi and, to the extent set forth herein, the laws of the State of New York and the federal law of the United States.

This opinion is rendered to you in connection with the above-described transaction. This opinion may not be relied upon by you for any other purpose or relied upon by or furnished to any other person without our prior written consent, except that Troutman Sanders LLP and Dewey Ballantine may rely on this opinion in giving their opinions pursuant to Section 5(c) of the Underwriting Agreement insofar as such opinions relate to matters of Florida and Mississippi law.

Very truly yours,

Beggs & Lane

BEGGS & LANE

EXHIBIT B.5.

TROUTMAN SANDERS LLP

ATTORNEYS AT LAW

A LIMITED LIABILITY PARTNERSHIP

600 PEACHTREE STREET, N.E. - SUITE 700
ATLANTA, GEORGIA 30308-2604
TELEPHONE 404-885-3681
FACSIMILE 404-885-3682

NATIONSBANK PLAZA
600 PEACHTREE STREET N.E. SUITE 5200
ATLANTA, GEORGIA 30308-2216
TELEPHONE 404-885-3000
FACSIMILE 404 879 3900

1300 I STREET N.W. SUITE 500 EAST
WASHINGTON D.C. 20005-3314
TELEPHONE 202 274-2950
FACSIMILE 202 274 2994

August 1, 1997

The Robinson-Humphrey Company, Inc.,
as Representative
3333 Peachtree Road, N.E.
Atlanta, Georgia 30326

GULF POWER COMPANY
SERIES B 7.50% JUNIOR SUBORDINATED NOTES DUE JUNE 30, 2037

Ladies and Gentlemen:

We have acted as counsel to Gulf Power Company (the "Company") in connection with (i) the Company's issuance and sale of $20,000,000 aggregate principal amount of its Series B 7.50% Junior Subordinated Notes due June 30, 2037 (the "Notes") pursuant to a Subordinated Note Indenture dated as of January 1, 1997, by and between the Company and The Chase Manhattan Bank, as trustee, as heretofore supplemented and as further supplemented by the Second Supplemental Indenture dated as of August 1, 1997 (collectively, the "Indenture"); and (ii) the purchase by you of the Notes pursuant to the terms of an Underwriting Agreement dated July 28, 1997 (the "Underwriting Agreement"), among the Company and the underwriters named in Schedule I thereto (the "Underwriters") for whom you are acting as Representative. This opinion is being delivered to you as Representative pursuant to Section 5(c)(2) thereof.

All capitalized terms not otherwise defined herein shall have the meanings set forth in the Underwriting Agreement.

In rendering the opinions expressed below, we have examined the registration statement on Form S-3 (Nos. 333-19271, 333-19271-01 and 333-19271-02) pertaining to the Notes and certain other securities (the "Registration Statement") filed under the Securities Act of 1933, as amended (the "Act"), and the prospectus of the Company dated January 10, 1997, as supplemented by the prospectus supplement dated July 28, 1997 (the "Final Supplemented Prospectus"), which pursuant to Form S-3 incorporates by reference the Annual Report on Form 10-K of the Company for the fiscal year ended December 31, 1996, the Quarterly Report on Form 10-Q of the Company for the quarter ended March 31, 1997 and the Current Reports on Form 8-K of the Company dated January 27, 1997, February 12, 1997 and July 28, 1997 (the "Exchange Act Documents"), each as filed under the Securities Exchange Act of 1934, as amended (the "Exchange Act").

In addition, we have examined, and have relied as to matters of fact upon, the documents delivered to you at the closing (except the certificate representing the Notes, of which we have examined a specimen), and we have made such other and further investigations as we deemed necessary to express the opinions hereinafter set forth. In such examination, we have assumed the genuineness of all signatures, the legal capacity of natural persons, the authenticity of all documents submitted to us as originals, the conformity to original documents of all documents submitted to us as certified or photostatic copies, and the authenticity of the originals of such latter documents.

The Indenture and the Underwriting Agreement are herein referred to collectively as the "Agreements."

Based upon the foregoing, and subject to the qualifications and limitations stated herein, we are of the opinion, relying as to matters of New York law upon the opinion dated the date hereof rendered to you by Dewey Ballantine, and as to matters of Florida and Mississippi law upon the opinion dated the date hereof rendered to you by Beggs & Lane, that:

1. The Company has been duly incorporated and is validly existing as a corporation in good standing under the laws of the State of Maine, is duly qualified to carry on its business as a foreign corporation under the laws of the States of Florida, Georgia and Mississippi, and has due corporate authority to carry on the public utility business in which it is engaged, to own and operate the properties used by it in such business and to enter into and perform its obligations under the Agreements and the Notes.

2. The execution, delivery and performance by the Company of the Underwriting Agreement have been duly authorized by all necessary corporate action, and the Underwriting Agreement has been duly executed and delivered by the Company.

3. All orders, consents or other authorizations or approvals of the Florida Public Service Commission and the Commission legally required for the issuance and sale of the Notes have been obtained; such orders are sufficient for the issuance and sale of the Notes; the issuance and sale of the Notes conform in all material respects with the terms of such orders; and no other order, consent or other authorization or approval of any Florida or United States governmental body (other than in connection or in compliance with the provisions of the securities or "blue sky" laws of any jurisdiction, as to which we express no opinion) is legally required for the issuance and sale of the Notes in accordance with the terms of the Underwriting Agreement.

4. The Indenture has been duly authorized, executed and delivered by the Company and, assuming the due authorization, execution and delivery thereof by the Debt Trustee,

constitutes a valid and legally binding instrument of the Company, enforceable against the Company in accordance with its terms, subject to the qualifications that the enforceability of the Company's obligations under the Indenture may be limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws relating to or affecting creditors' rights generally and by general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law); and the Indenture conforms as to legal matters in all material respects to the description thereof in the Final Supplemented Prospectus.

5. The Notes have been duly authorized and executed by the Company and, when authenticated by the Debt Trustee in the manner provided in the Indenture and delivered to and paid for by the Underwriters pursuant to the Underwriting Agreement, will constitute valid and binding obligations of the Company, enforceable against the Company in accordance with their terms, subject to the qualifications that the enforceability of the Company's obligations under the Notes may be limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws relating to or affecting creditors' rights generally and by general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law); and the Notes conform as to legal matters in all material respects to the description thereof in the Final Supplemented Prospectus.

6. The Indenture has been duly qualified under the Trust Indenture Act of 1939, as amended (the "Trust Indenture Act").

We have not independently verified the accuracy, completeness or fairness of the statements made or included in the Registration Statement, the Final Supplemented Prospectus or the Exchange Act Documents and take no responsibility therefor, except as and to the extent set forth in paragraphs 4 and 5 above. In the course of the preparation by the Company of the Registration Statement, the Final Supplemented Prospectus and the Exchange Act Documents, we participated in conferences with certain officers and employees of the Company, with other counsel for the Company, with representatives of Arthur Andersen LLP and with your counsel. Based upon our examination of the Registration Statement, the Final Supplemented Prospectus and the Exchange Act Documents, our investigations made in connection with the preparation of the Registration Statement, the Final Supplemented Prospectus and the Exchange Act Documents and our participation in the conferences referred to above, (i) we are of the opinion that the Registration Statement, as of its effective date, and the Final Supplemented Prospectus, as of July 28, 1997, complied as to form in all material respects with the requirements of the Act and the applicable rules and regulations of the Commission thereunder and that the Exchange Act Documents, as of their respective dates of filing with the Commission, complied as to form in all material respects with the relevant requirements of the Exchange Act and the applicable rules and regulations of the Commission thereunder, except that in each case we express no opinion as to

the financial statements or other financial or statistical data contained or incorporated by reference in the Registration Statement, the Final Supplemented Prospectus or the Exchange Act Documents, and (ii) nothing came to our attention which gives us reason to believe that the Registration Statement, as of the date of filing with the Commission of the Annual Report on Form 10-K of the Company for the fiscal year ended December 31, 1996 (including such Annual Report on Form 10-K), contained any untrue statement of a material fact or omitted to state any material fact required to be stated therein or necessary in order to make the statements therein not misleading, or that the Final Supplemented Prospectus (including the Exchange Act Documents) contains any untrue statement of a material fact or omits to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading, except that in each case we express no opinion or belief with respect to the financial statements or other financial or statistical data contained or incorporated by reference in the Registration Statement, the Final Supplemented Prospectus or the Exchange Act Documents.

We are members of the State Bar of Georgia and we do not express any opinion herein concerning any law other than the law of the State of Georgia and the federal law of the United States and, to the extent set forth herein, the laws of the States of Maine, Florida, New York and Mississippi.

This opinion is rendered to you in connection with the above-described transaction. This opinion may not be relied upon by you for any other purpose or relied upon by or furnished to any other person without our prior written consent, except that Beggs & Lane may rely on this opinion in giving its opinion pursuant to Section 5(c) of the Underwriting Agreement insofar as such opinion relates to matters of Georgia law and to the Act, the Exchange Act, the Trust Indenture Act and the Public Utility Holding Company Act of 1935, as amended, and Dewey Ballantine may rely on this opinion in giving its opinion pursuant to Section 5(c) of the Underwriting Agreement insofar as such opinion relates to matters of Georgia law.

Very truly yours,

Troutman Sanders LLP

TROUTMAN SANDERS LLP

EXHIBIT B.6

(see EXHIBIT A.11.)

EXHIBIT B.7.

(see EXHIBIT A.12.)

EXHIBIT B.8.

Description of Underwriters

$20,000,000 7.50% Series B Junior Subordinated Notes

Name	Principal Amt. of Notes
The Robinson-Humphrey Company, Inc.	5,000,000
J. C. Bradford & Co.	5,000,000
Edward D. Jones & Co., L.P.	5,000,000
Interstate/Johnson Lane Corporation	1,000,000
Legg Mason Wood Walker, Incorporated	1,000,000
Morgan Keegan & Company, Inc	1,000,000
Raymond James & Associates, Inc.	1,000,000
Sterne, Agree & Leach, Inc.	1,000,000

c/o The Robinson-Humphrey Company, Inc.
333 Peachtree Road, N.E.
Atlanta, Georgia 30326

Underwritiers fees: $630,000.00

EXHIBIT B.9.

GULF POWER COMPANY
Summary of Debt Expenses in Conjunction with the Issuance and Sale of $20,000,000 Principal Amount 7.50% Junior Subordinated Notes Due 2037

Item Number	Issuance Expenses For:	Amount $
1.	Application Lis ıg Fee - Stock Exchange	$0.00
2.	Shelf Registration-Securities & Exchange Commission	5,000.00
3.	Charges of Trustee (Including Counsel)	5,486.34
4.	Cost of Definitive Bonds	0.00
5.	Printing and Preparation of Registration Statement, Financial Statements, Prospectus, Competitive Bidding Papers, Supplemental Indenture, etc.	20,073.93
6.	Recording Supplemental Indenture	0.00
7.	Florida Documentary Stamp Tax	0.00
8.	Fees and Expenses of Counsel	37,172.53
9.	Fees of Accountants	21,000.00
10.	Fees of Directors	0.00
11.	Rating Fees	13,350.00
12.	Expenses of Southern Company Services, Inc.	0.00
13.	Miscellaneous Expenses	953.78
	Total Expenses of Issue	103,036.58
	Unamortized Discount Expense	630,000.00
	Total Cost of Issue	$733,036.58

fn: h:\data\bond&ps\JRNOTSUM.WK4 03/23/98

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

(X) ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934
For the Fiscal Year Ended December 31, 1996
OR
( ) TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934
For the Transition Period from to

Commission File Number	Registrant, State of Incorporation, Address and Telephone Number	I.R.S. Employer Identification No.
1-3526	**The Southern Company** (A Delaware Corporation) 270 Peachtree Street, N.W. Atlanta, Georgia 30303 (404) 393-0650	58-0690070
1-3164	**Alabama Power Company** (An Alabama Corporation) 600 North 18th Street Birmingham, Alabama 35291 (205) 250-1000	63-0004250
1-6468	**Georgia Power Company** (A Georgia Corporation) 333 Piedmont Avenue, N.E. Atlanta, Georgia 30308 (404) 526-6526	58-0257110
0-2429	**Gulf Power Company** (A Maine Corporation) 500 Bayfront Parkway Pensacola, Florida 32520 (904) 444-6111	59-0276810
0-6849	**Mississippi Power Company** (A Mississippi Corporation) 2992 West Beach Gulfport, Mississippi 39501 (601) 864-1211	64-0205820
1-5072	**Savannah Electric and Power Company** (A Georgia Corporation) 600 East Bay Street Savannah, Georgia 31401 (912) 644-7171	58-0418070

Securities registered pursuant to Section 12(b) of the Act*

Each of the following classes or series of securities registered pursuant to Section 12(b) of the Act is registered on the New York Stock Exchange.

Title of each class	Registrant
Common Stock, $5 par value	**The Southern Company**
Class A preferred, cumulative, $25 stated capital	**Alabama Power Company**
7.60% (First 1992 Series)	6.80% Series
7.60% (Second 1992 Series)	6.40% Series
Adjustable Rate (1993 Series)	
First mortgage bonds	
9 1/4% Series due 2021	
Company obligated mandatorily redeemable preferred securities, $25 liquidation amount	
7.375% Trust Preferred Securities**	
Preferred stock, cumulative, $100 stated value	**Georgia Power Company**
$7.72 Series	
Class A preferred, cumulative, $25 stated value	
$1.90 Series	$1.9375 Series
$1.9875 Series	Adjustable Rate (First 1993 Series)
$1.925 Series	Adjustable Rate (Second 1993 Series)
Company obligated mandatorily redeemable preferred securities, $25 liquidation amount	
9% Monthly Income Preferred Securities, Series A***	
7.75% Trust Preferred Securities****	
First mortgage bonds	
6 1/8% Series due 1999	6 7/8% Series due 2002

* As of December 31, 1996

** Issued by Alabama Power Capital Trust I and guaranteed by Alabama Power Company

*** Issued by Georgia Power Capital, L.P. and guaranteed by Georgia Power Company

**** Issued by Georgia Power Capital Trust I and guaranteed by Georgia Power Company

Depositary preferred shares, each representing one-fourth of a share of preferred stock, cumulative, $100 par value	**Mississippi Power Company**
7.25% Series	6.32% Series
6.65% Series	

Preferred stock, cumulative, $25 par value	**Savannah Electric and Power Company**
6.64% Series	

Securities registered pursuant to Section 12(g) of the Act:*

Title of each class			Registrant
Preferred stock, cumulative, $100 par value			**Alabama Power Company**
4.20% Series	4.64% Series	5.96% Series	
4.52% Series	4.72% Series	6.88% Series	
4.60% Series	4.92% Series		
Class A preferred, cumulative, $100,000 stated capital			
Auction (1993 Series)			
Class A preferred, cumulative, $100 stated capital			
Auction (1988 Series)			

Preferred stock, cumulative, $100 stated value			**Georgia Power Company**
$4.60 Series	$4.72 Series	$5.64 Series	
$4.60 Series (1962)	$4.92 Series	$6.48 Series	
$4.60 Series (1963)	$4.96 Series	$6.60 Series	
$4.60 Series (1964)	$5.00 Series		

Preferred stock, cumulative, $100 par value			**Gulf Power Company**
4.64% Series	5.44% Series	7.88% Series	
5.16% Series	7.52% Series		
Class A preferred, cumulative, $10 par value, $25 stated capital			
6.72% Series	7.00% Series	7.30% Series	
Adjustable Rate (1993 Series)			

Preferred stock, cumulative, $100 par value			**Mississippi Power Company**
4.40% Series	4.60% Series	4.72% Series	
7.00% Series			

* As of December 31, 1996

Indicate by check mark whether the registrants (1) have filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrants were required to file such reports), and (2) have been subject to such filing requirements for the past 90 days. Yes _X_ No __

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrants' knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. (X)

Aggregate market value of voting stock held by non-affiliates of The Southern Company at February 28, 1997: $14.7 billion Each of such other registrants is a wholly-owned subsidiary of The Southern Company and has no voting stock other than its common stock A description of registrants' common stock follows:

Registrant	Description of Common Stock	Shares Outstanding at February 28, 1997
The Southern Company	Par Value $5 Per Share	677,838,862
Alabama Power Company	Par Value $40 Per Share	5,608,955
Georgia Power Company	No Par Value	7,761,500
Gulf Power Company	No Par Value	992,717
Mississippi Power Company	Without Par Value	1,121,000
Savannah Electric and Power Company	Par Value $5 Per Share	10,844,635

Documents incorporated by reference: specified portions of The Southern Company's Proxy Statement relating to the 1997 Annual Meeting of Stockholders are incorporated by reference into PART III.

This combined Form 10-K is separately filed by The Southern Company, Alabama Power Company, Georgia Power Company, Gulf Power Company, Mississippi Power Company and Savannah Electric and Power Company. Information contained herein relating to any individual company is filed by such company on its own behalf. Each company makes no representation as to information relating to the other companies.

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DEFINITIONS

When used in Items 1 through 5 and Items 10 through 14, the following terms will have the meanings indicated. Other defined terms specific only to Item 11 are found on page III-13.

Term	Meaning
AEC	Alabama Electric Cooperative, Inc.
AFUDC	Allowance for Funds Used During Construction
ALABAMA	Alabama Power Company
Alicurá	Hidroeléctrica Alicurá, S.A. (Argentina)
AMEA	Alabama Municipal Electric Authority
CEPA	Consolidated Electric Power Asia
Clean Air Act	Clean Air Act Amendments of 1990
Dalton	City of Dalton, Georgia
DOE	United States Department of Energy
Edelnor	Empresa Electrica del Norte Grande, S.A. (Chile)
Energy Act	Energy Policy Act of 1992
EMF	Electromagnetic field
EWG	Exempt wholesale generator
EPA	United States Environmental Protection Agency
FERC	Federal Energy Regulatory Commission
FPC	Florida Power Corporation
FP&L	Florida Power & Light Company
Freeport	Freeport Power Company (Bahamas)
FUCO	Foreign utility company
GEORGIA	Georgia Power Company
GULF	Gulf Power Company
Gulf States	Gulf States Utilities Company
Holding Company Act	Public Utility Holding Company Act of 1935, as amended
IBEW	International Brotherhood of Electrical Workers
IRS	Internal Revenue Service
JEA	Jacksonville Electric Authority
MEAG	Municipal Electric Authority of Georgia
MISSISSIPPI	Mississippi Power Company
Mobile Energy	Mobile Energy Services Company, L.L.C.
NRC	Nuclear Regulatory Commission
OPC	Oglethorpe Power Corporation
operating affiliates	ALABAMA, GEORGIA, GULF, MISSISSIPPI and SAVANNAH
PSC	Public Service Commission
RUS	Rural Utility Service (formerly Rural Electrification Administration)
SAVANNAH	Savannah Electric and Power Company
SCS	Southern Company Services, Inc.
SEC	Securities and Exchange Commission
SEGCO	Southern Electric Generating Company
SEPA	Southeastern Power Administration
SERC	Southeastern Electric Reliability Council
SMEPA	South Mississippi Electric Power Association
SOUTHERN	The Southern Company
Southern Communications	Southern Communications Services, Inc.
Southern Development	The Southern Development and Investment Group, Inc.
Southern Energy	Southern Energy, Inc. (formerly Southern Electric International, Inc.)
Southern Nuclear	Southern Nuclear Operating Company, Inc.
SOUTHERN system	SOUTHERN, the operating affiliates, SEGCO, Southern Energy, Southern Nuclear, SCS, Southern Communications, Southern Development and other subsidiaries
SWEB	South Western Electricity plc (United Kingdom)
TVA	Tennessee Valley Authority

PART I

Item 1. BUSINESS

SOUTHERN was incorporated under the laws of Delaware on November 9, 1945. SOUTHERN is domesticated under the laws of Georgia and is qualified to do business as a foreign corporation under the laws of Alabama. SOUTHERN owns all the outstanding common stock of ALABAMA, GEORGIA, GULF, MISSISSIPPI and SAVANNAH, each of which is an operating public utility company. ALABAMA and GEORGIA each own 50% of the outstanding common stock of SEGCO. The operating affiliates supply electric service in the states of Alabama, Georgia, Florida, Mississippi and Georgia, respectively, and SEGCO owns generating units at a large electric generating station which supplies power to ALABAMA and GEORGIA. More particular information relating to each of the operating affiliates is as follows:

ALABAMA is a corporation organized under the laws of the State of Alabama on November 10, 1927, by the consolidation of a predecessor Alabama Power Company, Gulf Electric Company and Houston Power Company. The predecessor Alabama Power Company had had a continuous existence since its incorporation in 1906.

GEORGIA was incorporated under the laws of the State of Georgia on June 26, 1930, and admitted to do business in Alabama on September 15, 1948.

GULF is a corporation which was organized under the laws of the State of Maine on November 2, 1925, and admitted to do business in Florida on January 15, 1926, in Mississippi on October 25, 1976 and in Georgia on November 20, 1984.

MISSISSIPPI was incorporated under the laws of the State of Mississippi on July 12, 1972, was admitted to do business in Alabama on November 28, 1972, and effective December 21, 1972, by the merger into it of the predecessor Mississippi Power Company, succeeded to the business and properties of the latter company. The predecessor Mississippi Power Company was incorporated under the laws of the State of Maine on November 24, 1924, and was admitted to do business in Mississippi on December 23, 1924, and in Alabama on December 7, 1962.

SAVANNAH is a corporation existing under the laws of the State of Georgia; its charter was granted by the Secretary of State on August 5, 1921.

SOUTHERN also owns all the outstanding common stock of Southern Energy, Southern Communications, Southern Nuclear, SCS (the system service company), Southern Development and other direct and indirect subsidiaries. Southern Energy designs, builds, owns and operates power production and delivery facilities and provides a broad range of energy-related services in the United States and international markets. A further description of Southern Energy's business and organization follows later in this section under "New Business Development." Southern Communications provides digital wireless communications services to SOUTHERN's operating affiliates and also markets these services to the public within the Southeast. Southern Nuclear provides services to the Southern electric system's nuclear plants. Southern Development develops new business opportunities related to energy products and services.

SEGCO owns electric generating units with an aggregate capacity of 1,019,680 kilowatts at Plant Gaston on the Coosa River near Wilsonville, Alabama, and ALABAMA and GEORGIA are each entitled to one-half of SEGCO's capacity and energy. ALABAMA acts as SEGCO's agent in the operation of SEGCO's units and furnishes coal to SEGCO as fuel for its units. SEGCO also owns three 230,000 volt transmission lines extending from Plant Gaston to the Georgia state line at which point connection is made with the GEORGIA transmission line system.

The SOUTHERN System

The transmission facilities of each of the operating affiliates and SEGCO are connected to the respective company's own generating plants and other sources of power and are interconnected with the transmission facilities of the other operating affiliates and SEGCO by means of heavy-duty high voltage lines. (In the case of GEORGIA's integrated transmission system, see Item 1 - BUSINESS - "Territory Served" herein.)

Operating contracts covering arrangements in effect with principal neighboring utility systems provide for capacity exchanges, capacity purchases and sales, transfers of economy energy and other similar

transactions. Additionally, the operating affiliates have entered into voluntary reliability agreements with the subsidiaries of Entergy Corporation, Florida Electric Power Coordinating Group and TVA and with Carolina Power & Light Company, Duke Power Company, South Carolina Electric & Gas Company and Virginia Electric and Power Company, each of which provides for the establishment and periodic review of principles and procedures for planning and operation of generation and transmission facilities, maintenance schedules, load retention programs, emergency operations, and other matters affecting the reliability of bulk power supply. The operating affiliates have joined with other utilities in the Southeast (including those referred to above) to form the SERC to augment further the reliability and adequacy of bulk power supply. Through the SERC, the operating affiliates are represented on the National Electric Reliability Council.

An intra-system interchange agreement provides for coordinating operations of the power producing facilities of the operating affiliates and SEGCO and the capacities available to such companies from non-affiliated sources and for the pooling of surplus energy available for interchange. Coordinated operation of the entire interconnected system is conducted through a central power supply coordination office maintained by SCS. The available sources of energy are allocated to the operating affiliates to provide the most economical sources of power consistent with good operation. The resulting benefits and savings are apportioned among the operating affiliates.

SCS has contracted with SOUTHERN, each operating affiliate, Southern Energy, various of the other subsidiaries, Southern Nuclear and SEGCO to furnish, at cost and upon request, the following services: general executive and advisory services, power pool operations, general engineering, design engineering, purchasing, accounting, finance and treasury, taxes, insurance and pensions, corporate, rates, budgeting, public relations, employee relations, systems and procedures and other services with respect to business and operations. Southern Energy, Southern Development and Southern Communications have also secured from the operating affiliates certain services which are furnished at cost.

Southern Nuclear has contracted with ALABAMA to operate its Farley Nuclear Plant, as authorized by amendments to the plant operating licenses. Effective March 22, 1997, Southern Nuclear, pursuant to a contract with GEORGIA, assumed responsibility for the operation of plants Hatch and Vogtle, as authorized by amendments to the operating licenses for both plants. See Item 1 - BUSINESS - "Regulation - Atomic Energy Act of 1954" herein.

New Business Development

SOUTHERN continues to consider new business opportunities, particularly those which allow use of the expertise and resources developed through its regulated utility experience. These endeavors began in 1981 and are conducted through Southern Energy and other subsidiaries. SOUTHERN presently has authorization from the SEC (the "SEC Order") which in effect will allow it to use the proceeds from financings to increase its aggregate investment in EWGs and FUCOs up to an amount not exceeding 100% of SOUTHERN's consolidated retained earnings. A consumer group that had sought to intervene in the SEC proceeding has filed an appeal with U.S. Court of Appeals for the 11th Circuit seeking judicial review of the SEC Order. At December 31, 1996, SOUTHERN's consolidated retained earnings amounted to $3,764 million, and its aggregate investment in EWGs and FUCOs, after giving effect to the CEPA acquisition discussed below, amounted to $2,524 million.

Southern Energy develops, builds, owns and operates both cogeneration and independent power production and delivery facilities in the North American and international market. Southern Energy's trading and marketing subsidiary provides power marketing and energy trading services to wholesale and retail customers in North America.

Reference is made to Note 15 to the financial statements of SOUTHERN in Item 8 herein for additional information regarding SOUTHERN's business segments and geographic areas.

In 1995, SOUTHERN acquired SWEB, one of the United Kingdom's 12 regional electric distribution companies, for approximately $1.8 billion. SWEB is, to some extent, involved in power generation and certain non-regulated activities which include gas supply and telecommunications. In early 1997, SOUTHERN acquired an 80% interest in CEPA for a total net

PART I

Item 1. BUSINESS

SOUTHERN was incorporated under the laws of Delaware on November 9, 1945. SOUTHERN is domesticated under the laws of Georgia and is qualified to do business as a foreign corporation under the laws of Alabama. SOUTHERN owns all the outstanding common stock of ALABAMA, GEORGIA, GULF, MISSISSIPPI and SAVANNAH, each of which is an operating public utility company. ALABAMA and GEORGIA each own 50% of the outstanding common stock of SEGCO. The operating affiliates supply electric service in the states of Alabama, Georgia, Florida, Mississippi and Georgia, respectively, and SEGCO owns generating units at a large electric generating station which supplies power to ALABAMA and GEORGIA. More particular information relating to each of the operating affiliates is as follows:

ALABAMA is a corporation organized under the laws of the State of Alabama on November 10, 1927, by the consolidation of a predecessor Alabama Power Company, Gulf Electric Company and Houston Power Company. The predecessor Alabama Power Company had had a continuous existence since its incorporation in 1906.

GEORGIA was incorporated under the laws of the State of Georgia on June 26, 1930, and admitted to do business in Alabama on September 15, 1948.

GULF is a corporation which was organized under the laws of the State of Maine on November 2, 1925, and admitted to do business in Florida on January 15, 1926, in Mississippi on October 25, 1976 and in Georgia on November 20, 1984.

MISSISSIPPI was incorporated under the laws of the State of Mississippi on July 12, 1972, was admitted to do business in Alabama on November 28, 1972, and effective December 21, 1972, by the merger into it of the predecessor Mississippi Power Company, succeeded to the business and properties of the latter company. The predecessor Mississippi Power Company was incorporated under the laws of the State of Maine on November 24, 1924, and was admitted to do business in Mississippi on December 23, 1924, and in Alabama on December 7, 1962.

SAVANNAH is a corporation existing under the laws of the State of Georgia, its charter was granted by the Secretary of State on August 5, 1921.

SOUTHERN also owns all the outstanding common stock of Southern Energy, Southern Communications, Southern Nuclear, SCS (the system service company), Southern Development and other direct and indirect subsidiaries. Southern Energy designs, builds, owns and operates power production and delivery facilities and provides a broad range of energy-related services in the United States and international markets. A further description of Southern Energy's business and organization follows later in this section under "New Business Development." Southern Communications provides digital wireless communications services to SOUTHERN's operating affiliates and also markets these services to the public within the Southeast. Southern Nuclear provides services to the Southern electric system's nuclear plants. Southern Development develops new business opportunities related to energy products and services.

SEGCO owns electric generating units with an aggregate capacity of 1,019,680 kilowatts at Plant Gaston on the Coosa River near Wilsonville, Alabama, and ALABAMA and GEORGIA are each entitled to one-half of SEGCO's capacity and energy. ALABAMA acts as SEGCO's agent in the operation of SEGCO's units and furnishes coal to SEGCO as fuel for its units. SEGCO also owns three 230,000 volt transmission lines extending from Plant Gaston to the Georgia state line at which point connection is made with the GEORGIA transmission line system.

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The transmission facilities of each of the operating affiliates and SEGCO are connected to the respective company's own generating plants and other sources of power and are interconnected with the transmission facilities of the other operating affiliates and SEGCO by means of heavy-duty high voltage lines. (In the case of GEORGIA's integrated transmission system, see Item 1 - BUSINESS - "Territory Served" herein.)

Operating contracts covering arrangements in effect with principal neighboring utility systems provide for capacity exchanges, capacity purchases and sales, transfers of economy energy and other similar

investment of $2.1 billion. CEPA is engaged in the business of developing, constructing, owning and operating electric power generation facilities. Its current operations include installed operating capacity of approximately 3,995 megawatts, with projects either completed or under development in the Philippines, the People's Republic of China, Indonesia and Pakistan. For additional information regarding the acquisitions of SWEB and CEPA, reference is made to Note 14 to SOUTHERN's financial statements. Item 8 herein.

See Item 2 - PROPERTIES - "Other Electric Generation Facilities" herein for additional information regarding Southern Energy projects.

Southern Energy and Southern Development render consulting services and market SOUTHERN system expertise in the United States and throughout the world. They contract with other public utilities, commercial concerns and government agencies for the rendition of services and the licensing of intellectual property. More specifically, Southern Development is focusing on new and existing programs to enhance customer satisfaction and efficiency and stockholder value, such as: Good Cents, an energy efficiency program for electric utility customers; EnerLink, a group of energy management products and services for large commercial and industrial electricity users; Flywheel, an energy storage device; PowerCall Security, a home security system; other energy management programs under development; and telecommunications operations related to energy management programs.

In 1995, Southern Communications began serving SOUTHERN's operating affiliates and marketing its services to non-affiliates within the Southeast. The system covers 122,000 square miles and combines the functions of two-way radio dispatch, cellular phone, short text and numeric messaging and wireless data transfer.

These continuing efforts to invest in and develop new business opportunities offer the potential of earning returns which may exceed those of rate-regulated operations. However, these activities also involve a higher degree of risk. SOUTHERN expects to make substantial investments over the period 1997-1999 in these and other new businesses.

Certain Factors Affecting the Industry

Various factors are currently affecting the electric utility industry in general, including increasing competition and the regulatory changes related thereto; costs required to comply with environmental regulations; and the potential for new business opportunities (with their associated risks) outside of traditional rate-regulated operations. The effects of these and other factors on the SOUTHERN system are described herein, particular reference is made to Item 1 - BUSINESS - "New Business Development," "Competition" and "Environmental Regulation."

Construction Programs

The subsidiary companies of SOUTHERN are engaged in continuous construction programs to accommodate existing and estimated future loads on their respective systems. Construction additions or acquisitions of property during 1997 through 1999 by the operating affiliates, SEGCO, SCS, Southern Nuclear, Southern Communications and Southern Energy are estimated as follows: (in millions)

	1997	1998	1999
ALABAMA	$ 425	$ 519	$ 622
GEORGIA	490	479	464
GULF	47	49	46
MISSISSIPPI	57	58	116
SAVANNAH	26	22	24
SEGCO	6	3	-
SCS	9	6	9
Southern Nuclear	1	1	1
Southern Communications	78	31	12
Southern Energy*	250	132	120
SOUTHERN system	$1,389	$1,300	$1,414

* These construction estimates do not include amounts which may be expended by Southern Energy on future power production projects or by any subsidiaries created to effect such future projects. (See Item 1 - BUSINESS - "New Business Development" herein.)

Estimated construction costs in 1997 are expected to be apportioned approximately as follows (in millions)

	SOUTHERN system*	ALABAMA	GEORGIA	GULF	MISSISSIPPI	SAVANNAH
Combustion turbines	$ 10	$ 6	$ 15	$ -	$ 3	$ -
Other generating facilities including associated plant substations	333	85	66	7	12	6
New business	319	122	154	19	12	12
Transmission	134	63	54	4	12	1
Joint line and substation	22	-	21	1	-	-
Distribution	233	60	36	9	12	4
Nuclear fuel	110	39	71	-	-	-
General plant	228	50	73	7	6	3
	$1,389	$425	$490	$47	$57	$26

*Southern Communications, SCS and Southern Nuclear plan capital additions to general plant in 1997 of $78 million, $9 million and $1 million, respectively, while SEGCO plans capital additions of $6 million to generating facilities. Southern Energy plans capital additions of $137 million to generating facilities, $112 million to distribution facilities, and $1 million to general plant. These estimates do not reflect the possibility of Southern Energy's securing a contract(s) to buy or build additional generating facilities. (See Item 1 - BUSINESS - "New Business Development" herein.)

The construction programs are subject to periodic review and revision, and actual construction costs may vary from the above estimates because of numerous factors. These factors include changes in business conditions; revised load projections; changes in environmental regulations; changes in existing nuclear plants to meet new regulatory requirements; increasing costs of labor, equipment and materials; and cost of capital.

The operating affiliates do not have any new traditional baseload generating plants under construction. However, within the service area, the construction of combustion turbine peaking units with an aggregate capacity of approximately 600 megawatts is planned to be completed by 1998. In addition, significant construction related to transmission and distribution facilities and the upgrading and extension of the useful lives of generating plants will continue. (See Item 2 - PROPERTIES - "Other Electric Generation Facilities" herein for additional information relating to facilities under development.)

In 1991, the Georgia legislature passed legislation which requires GEORGIA and SAVANNAH each to file an Integrated Resource Plan for approval by the Georgia PSC. Under the plan rules, the Georgia PSC must pre-certify the construction of new power plants and new purchase power contracts. (See Item 1 - BUSINESS - "Rate Matters - Integrated Resource Planning" herein.)

See Item 1 - BUSINESS - "Regulation - Environmental Regulation" herein for information with respect to certain existing and proposed environmental requirements and Item 2 - PROPERTIES - "Jointly-Owned Facilities" herein for additional information concerning ALABAMA's and GEORGIA's joint ownership of certain generating units and related facilities with certain non-affiliated utilities.

Financing Programs

SOUTHERN plans to issue additional equity capital in 1997. The amount and timing of additional equity capital to be raised in 1997, as well as subsequent years, will be contingent on SOUTHERN's investment opportunities, primarily through Southern Energy. Equity capital can be provided from any combination of public offerings, private placements, or SOUTHERN's stock plans. The operating affiliates' construction programs are expected to be financed primarily from internal sources. Short-term debt will be utilized as appropriate at SOUTHERN and the operating affiliates. The operating affiliates may issue additional long-term debt and preferred securities primarily for the purposes of debt maturities and for redeeming higher-cost securities if market conditions permit.

In order to issue first mortgage bonds and preferred stock, each of the operating affiliates must comply with earnings coverage requirements contained in its respective mortgage and charter. These provisions require, for the issuance of additional first mortgage bonds, a minimum, before income tax, earnings coverage of twice the pro forma annual interest charges on first mortgage bonds and indebtedness secured by prior or equal ranking lien and, for the issuance of additional preferred stock, a minimum, after income tax earnings coverage of one and one-half times pro forma annual interest charges and preferred stock dividends, in each case for a period of twelve consecutive calendar months within the fifteen calendar months immediately preceding the proposed new issue. The ability to issue securities in the future will depend on coverages at that time. Currently each of the operating affiliates expects to have adequate coverage ratios for anticipated requirements through at least 1999.

The amounts of securities representing short-term unsecured indebtedness allowable under the respective charters, and the maximum amounts of short-term or term-loan indebtedness authorized by the appropriate regulatory authorities, are shown in the following table.

Short-Term Unsecured Indebtedness Allowable Under Charter at December 31, 1996	Amount	Percent of Secured Indebtedness and Other Capital (2)
	(Millions)	
ALABAMA	$ 1,111	20%
GEORGIA	1,539	20
GULF	90	10
MISSISSIPPI	141	20
SAVANNAH	70	20
SOUTHERN	(1)	(1)

Short-Term or Term-Loan Indebtedness Maximum Regulatory Authorization	Amount	Outstanding at December 31, 1996
	(Millions)	
ALABAMA	$ 750 (3)	$365
GEORGIA	1,700 (4)	430
GULF	300 (3)	76
MISSISSIPPI	350 (3)	80
SAVANNAH	90 (4)	35
SOUTHERN	2,000 (3)	67

Notes

(1) No limitation.

(2) Under the provisions of the respective charters, GEORGIA's, MISSISSIPPI's and SAVANNAH's preferred stockholders have approved increases in the amounts of securities representing short-term unsecured indebtedness which the companies may have outstanding until July 1 in 2003, 1999 and 1999, respectively. Such limitations were increased from 10% of secured indebtedness and other capital to 20% thereof. These approved increases are reflected in the above table.

(3) ALABAMA's authority is based on authorization received from the Alabama PSC, which expires December 31, 1998. No SEC authorization is required for ALABAMA. GULF, MISSISSIPPI and SOUTHERN have received SEC authorization to issue from time to time short-term and/or term-loan notes to banks and commercial paper to dealers in the amounts shown through December 31, 2003, December 31, 2002 and March 31, 2001, respectively.

(4) GEORGIA and SAVANNAH have received SEC authorization to issue from time to time short-term and term-loan notes to banks and commercial paper to dealers in the amounts shown through December 31, 2002. Authorization for term-loan indebtedness is also required by and has been received from the Georgia PSC. Currently, GEORGIA and SAVANNAH have remaining authority from the Georgia PSC of $471 million and $110 million expiring December 31, 1997 and December 31, 1998, respectively.

Reference is made to Note 5 to the financial statements for SOUTHERN, ALABAMA, GULF, MISSISSIPPI and SAVANNAH and Note 9 to the financial statements for GEORGIA in Item 8 herein for information regarding the registrants' credit arrangements.

Fuel Supply

The operating affiliates' and SEGCO's supply of electricity is derived predominantly from coal. The sources of generation for the years 1994 through 1996 and the estimates for 1997 are shown below:

ALABAMA	Coal	Nuclear	Hydro	Oil and Gas
1994	68%	23%	9%	*
1995	73	19	8	*
1996	72	20	8	*
1997	74	19	7	*
GEORGIA				
1994	75	22	3	*
1995	74	22	3	1
1996	74	22	3	1
1997	77	21	2	*
GULF				
1994	100	**	**	*
1995	99	**	**	1
1996	99	**	**	1
1997	99	**	**	1
MISSISSIPPI				
1994	85	**	**	15
1995	79	**	**	21
1996	85	**	**	15
1997	83	**	**	17
SAVANNAH				
1994	91	**	**	9
1995	8	**	**	20
1996	90	**	**	10
1997	92	**	**	8
SEGCO				
1994	100	**	**	*
1995	100	**	**	*
1996	100	**	**	*
1997	100	**	**	*
SOUTHERN system* **				
1994	75	19	5	1
1995	77	17	4	2
1996	77	17	4	2
1997	78	17	4	1

*Less than 0.5%.

**Not applicable.

***Amounts shown for the SOUTHERN system are weighted averages of the operating affiliates and SEGCO.

The average costs of fuel in cents per net kilowatt-hour generated for 1994 through 1996 are shown below:

ALABAMA	Coal	Nuclear	Oil and Gas	Weighted Average
1994	92	0.49	*	1.56
1995	1.71	0.50	*	1.48
1996	1.71	0.50	*	1.46
GEORGIA				
1994	1.67	0.63	*	1.44
1995	1.67	0.60	4.58	1.44
1996	1.55	0.55	5.50	1.35
GULF				
1994	2.00	**	*	2.01
1995	2.08	**	3.56	2.09
1996	1.99	**	6.41	2.02
MISSISSIPPI				
1994	1.67	**	2.60	1.71
1995	1.58	**	2.33	1.64
1996	1.43	**	4.32	1.57
SAVANNAH				
1994	2.19	**	4.72	2.42
1995	1.77	**	3.80	2.18
1996	1.76	**	8.41	2.32
SEGCO				
1994	1.83	**	*	1.83
1995	1.87	**	*	1.87
1996	1.72	**	*	1.72
SOUTHERN system* **				
1994	1.80	0.56	3.99	1.56
1995	1.73	0.56	3.37	1.53
1996	1.65	0.52	5.20	1.48

*Not meaningful because of minimal generation from fuel source.

**Not applicable.

***Amounts shown for the SOUTHERN system are weighted averages of the operating affiliates and SEGCO.

See SELECTED FINANCIAL DATA in Item 6 herein for each registrant's source of energy supply.

As of February 14, 1997, the operating affiliates and SEGCO had stockpiles of coal on hand at their respective coal-fired plants which represented an estimated 23 days of recoverable supply for bituminous coal and 30 days for sub-bituminous coal. It is estimated that approximately 61.3 million tons of coal will be consumed in 1997 by the operating affiliates and SEGCO (including those units GEORGIA owns jointly with OPC, MEAG and Dalton and operates for FP&L and JEA and the units ALABAMA owns jointly with AEC). The operating affiliates and SEGCO currently have 39 coal contracts. These contracts cover remaining terms of up to 15 years. Approximately 22% of 1997 estimated coal requirements will be purchased in the spot market. Management has set a goal whereby the spot market should be utilized, absent the transition from coal contract expirations, for 20 to 30% of the SOUTHERN system's coal supply. Additionally, it has been determined that approximately 30 days of recoverable supply is the appropriate level for coal stockpiles. During 1996, the operating affiliates' and SEGCO's average price of coal delivered was approximately $38 per ton.

The typical sulfur content of coal purchased under contracts ranges from approximately 0.49% to 2.76% sulfur by weight. Fuel sulfur restrictions and other environmental limitations have increased significantly and may increase further the difficulty and cost of obtaining an adequate coal supply. See Item 1 - BUSINESS - "Regulation - Environmental Regulation" herein.

Changes in fuel prices are generally reflected in fuel adjustment clauses contained in rate schedules. See Item 1 - BUSINESS - "Rate Matters - Rate Structure" herein.

ALABAMA owns coal lands and mineral rights in the Warrior Coal Field, located northwest of Birmingham in the vicinity of its Gorgas Steam Plant. SEGCO also owns coal reserves in the Warrior Coal Field and in the Cahaba Coal Field, which is located southwest of Birmingham. ALABAMA has agreements with non-affiliated industrial and mining firms to mine coal from ALABAMA's reserves, as well as their own reserves, for supply to ALABAMA's generating units.

The operating affiliates have renegotiated, bought out or otherwise terminated various coal supply contracts. For more information on certain of these transactions, see Note 5 to the financial statements of GULF in Item 8 herein.

ALABAMA and GEORGIA have numerous contracts covering a portion of their nuclear fuel needs for uranium, conversion services, enrichment services and fuel fabrication. These contracts have varying expiration dates and most are short to medium term (less than 10 years). Management believes that sufficient capacity for nuclear fuel supplies and processing exists to preclude the impairment of normal operations of the SOUTHERN system's nuclear generating units.

ALABAMA and GEORGIA have contracts with the DOE that provide for the permanent disposal of spent nuclear fuel. Although disposal was scheduled to begin in 1998, the actual year this service will begin is uncertain. Sufficient storage capacity currently is available to permit operation into 2003 at Plant Hatch, into 2008 at Plant Vogtle, and into 2010 and 2013 at Plant Farley units 1 and 2, respectively. Activities for adding dry cask storage capacity at Plant Hatch by as early as 1999 are in progress.

The Energy Act imposed upon utilities with nuclear plants, including ALABAMA and GEORGIA, obligations for the decontamination and decommissioning of federal nuclear fuel enrichment facilities. See Note 1 to SOUTHERN's, ALABAMA's and GEORGIA's financial statements in Item 8 herein.

Territory Served

The territory in which the operating affiliates provide electric service comprises most of the states of Alabama and Georgia together with the northwestern portion of Florida and southeastern Mississippi. In this territory there are non-affiliated electric distribution systems which obtain some or all of their power requirements either directly or indirectly from the operating affiliates. The territory has an area of approximately 120,000 square miles and an estimated population of approximately 11 million.

ALABAMA is engaged, within the State of Alabama, in the generation and purchase of electricity and the distribution and sale of such electricity at retail in over 1,000 communities (including Anniston, Birmingham, Gadsden, Mobile, Montgomery and Tuscaloosa) and at wholesale to 15 municipally-owned electric distribution systems, 11 of which are served indirectly through sales to AMEA, and two rural distributing cooperative associations. ALABAMA also supplies steam service in downtown Birmingham. ALABAMA owns coal reserves near its steam-electric generating plant at Gorgas and uses the output of coal from these reserves in some of its generating plants. ALABAMA also sells, and cooperates with dealers in promoting the sale of, electric appliances.

GEORGIA is engaged in the generation and purchase of electricity and the distribution and sale of such electricity within the State of Georgia at retail in over 600 communities (including Athens, Atlanta, Augusta, Columbus, Macon, Rome and Valdosta), as well as in rural areas, and at wholesale currently to 39 electric cooperative associations through OPC, a corporate cooperative of electric membership cooperatives in Georgia, and to 50 municipalities, 48 of which are served through MEAG, a public corporation and an instrumentality of the State of Georgia.

GULF is engaged, within the northwestern portion of Florida, in the generation and purchase of electricity and the distribution and sale of such electricity at retail in 71 communities (including Pensacola, Panama City and Fort Walton Beach), as well as in rural areas, and at wholesale to a non-affiliated utility and a municipality. GULF also sells electric appliances.

MISSISSIPPI is engaged in the generation and purchase of electricity and the distribution and sale of such energy within the 23 counties of southeastern Mississippi, at retail in 123 communities (including Biloxi, Gulfport, Hattiesburg, Laurel, Meridian and Pascagoula), as well as in rural areas, and at wholesale to one municipality, six rural electric distribution cooperative associations and one generating and transmitting cooperative.

SAVANNAH is engaged, within a five-county area in eastern Georgia, in the generation and purchase of electricity and the distribution and sale of such electricity at retail and, as a member of the SOUTHERN system power pool, the transmission and sale of wholesale energy.

The sources of revenues for the SOUTHERN system and each of SOUTHERN's operating affiliates are shown in Item 6 herein. For the year ended December 31, 1996, the registrants derived their respective industrial revenues as shown in the following table.

	SOUTHERN system	ALABAMA	GEORGIA	GULF	MISSISSIPPI	SAVANNAH
Textiles	13%	10%	18%	**%	4%	-%
Chemical	11	16	6	19	14	32
Paper	10	10	11	10	5	31
Primary metal	8	14	5	1	2	-
Stone, clay, glass and concrete	7	7	8	2	1	4
Utility services	9	9	9	3	10	5
Food	5	4	6	*	5	9
Government	5	2	4	41	10	-
Transportation equipment	3	2	4	1	6	10
Lumber and wood products	4	5	3	2	9	2
Other**	25	21	26	20	34	-
	100%	100%	100%	100%	100%	100%

*Less than 0.5%

**Other major sources (5% or more) of industrial revenues were: ALABAMA, coal mining (5%); GULF, oil and gas extraction (9%); and MISSISSIPPI, petroleum refining (20%) and electric machinery (5%).

A portion of the area served by SOUTHERN's operating affiliates adjoins the area served by TVA and its municipal and cooperative distributors. An Act of Congress limits the distribution of TVA power, unless otherwise authorized by Congress, to specified areas or customers which generally were those served on July 1, 1957.

The RUS has authority to make loans to cooperative associations or corporations to enable them to provide electric service to customers in rural sections of the country. There are 71 electric cooperative organizations operating in the territory in which the operating affiliates provide electric service at retail or wholesale.

One of these, AEC, is a generating and transmitting cooperative selling power to several distributing cooperatives, municipal systems and other customers in south Alabama and northwest Florida. AEC owns generating units with approximately 840 megawatts of nameplate capacity, including an undivided ownership interest in ALABAMA's Plant Miller Units 1 and 2. AEC's facilities were financed with RUS loans secured by long-term contracts requiring distributing cooperatives to take their requirements from AEC to the extent such energy is available. Two of the 14 distributing cooperatives operating in ALABAMA's service territory obtain a portion of their power requirements directly from ALABAMA.

Four electric cooperative associations, financed by the RUS, operate within GULF's service area. These cooperatives purchase their full requirements from AEC and SEPA. A non-affiliated utility also operates within GULF's service area and purchases a portion of its requirements from GULF.

ALABAMA and GULF have entered into separate agreements with AEC involving interconnection between the respective systems and, in the case of ALABAMA, the delivery of capacity and energy from AEC to certain distributing cooperatives. The rates for the various services provided by ALABAMA and GULF to AEC are based on formulary approaches which result in the charges by each company being updated annually, subject to FERC approval. See Item 2 - PROPERTIES - "Jointly-Owned Facilities" herein for details of ALABAMA's joint-ownership with AEC of a portion of Plant Miller.

Another of the 71 electric cooperatives is SMEPA, also a generating and transmitting cooperative. SMEPA has a generating capacity of 739,000 kilowatts and a transmission system estimated to be 1,357 miles in length. MISSISSIPPI has an interchange agreement with SMEPA pursuant to which various services are provided, including the furnishing of protective capacity by MISSISSIPPI to SMEPA.

There are 43 electric cooperative organizations operating in, or in areas adjoining, territory in the State of Georgia in which GEORGIA provides electric service at retail or wholesale. Three of these organizations obtain their power from TVA and one from other sources. Since July 1, 1975, OPC has supplied the requirements of the remaining 39 of these cooperative organizations from self-owned generation acquired from GEORGIA and, until September 1991, through partial requirements purchases from GEORGIA. GEORGIA entered into an agreement with OPC pursuant to which, effective in September 1991, OPC ceased to be a partial requirements wholesale customer of GEORGIA. Instead, OPC began the purchase of 1,250 megawatts of capacity from GEORGIA through 1999, subject to reduction or extension by OPC, and may satisfy the balance of its needs through purchases from others. Beginning in September 1996, OPC decreased its purchases of capacity by 250 megawatts and has notified GEORGIA of its intent to decrease purchases of capacity by an additional 250 megawatts in September 1997, and an additional 250 megawatts in September 1998. Under the amended 1995 Integrated Resource Plan approved by the Georgia PSC on March 4, 1997, these resources will be used to meet the needs of GEORGIA's retail customers through 2004.

There are 68 municipally-owned electric distribution systems operating in the territory in which SOUTHERN's operating affiliates provide electric service at retail or wholesale.

AMEA was organized under an act of the Alabama legislature and is comprised of 11 municipalities. In 1986, ALABAMA entered into a firm power purchase contract with AMEA entitling AMEA to scheduled

amounts of capacity (to a maximum of 100 megawatts) for a period of 15 years commencing September 1, 1986. In October 1991, ALABAMA entered into a second firm power purchase contract with AMEA entitling AMEA to scheduled amounts of additional capacity (to a maximum 80 megawatts) for a period of 15 years commencing October 1, 1991. In both contracts the power will be sold to AMEA for its member municipalities that previously were served directly by ALABAMA as wholesale customers. Under the terms of the contracts, ALABAMA received payments from AMEA representing the net present value of the revenues associated with the respective capacity entitlements. See Note 7 to ALABAMA's financial statements in Item 8 herein for further information on these contracts.

Forty-seven municipally-owned electric distribution systems formerly served on a full requirements wholesale basis by GEORGIA and one county-owned system now receive their requirements through MEAG, which was established by a state statute in 1975. MEAG serves these requirements from self-owned generation facilities acquired from GEORGIA and through purchases of capacity and energy from GEORGIA under partial requirements rates. On January 10, 1997, GEORGIA and MEAG reached an agreement to enter into a new power supply relationship which would replace in their entirety the partial requirements tariff and the scheduling services agreement between GEORGIA and MEAG. The agreement required the parties to formalize a new contractual relationship and file the new contract with the FERC for approval. Similarly, since 1977 Dalton has filled its requirements from generation facilities acquired from GEORGIA and through partial requirements purchases. One municipally-owned electric distribution system's full requirements are served under a market-based contract by GEORGIA. (See Item 2 - PROPERTIES - "Jointly-Owned Facilities" herein.)

GULF and MISSISSIPPI provide wholesale requirements for one municipal system each.

GEORGIA has entered into substantially similar agreements with OPC, MEAG and Dalton providing for the establishment of an integrated transmission system to carry the power and energy of each. The agreements require an investment by each party in the integrated transmission system in proportion to its respective share of the aggregate system load. (See Item 2 - PROPERTIES - "Jointly-Owned Facilities" herein.)

SCS, acting on behalf of ALABAMA, GEORGIA, GULF, MISSISSIPPI and SAVANNAH, also has a contract with SEPA (a federal power marketing agency) providing for the use of those companies' facilities at government expense to deliver to certain cooperatives and municipalities, entitled by federal statute to preference in the purchase of power from SEPA, quantities of power equivalent to the amounts of power allocated to them by SEPA from certain United States Government hydroelectric projects.

The retail service rights of all electric suppliers in the State of Georgia are regulated by the 1973 State Territorial Electric Service Act. Pursuant to the provisions of this Act, all areas within existing municipal limits were assigned to the primary electric supplier therein on March 29, 1973 (451 municipalities, including Atlanta, Columbus, Macon, Augusta, Athens, Rome and Valdosta, to GEORGIA, 115 to electric cooperatives, and 50 to publicly-owned systems). Areas outside of such municipal limits were either to be assigned or to be declared open for customer choice of supplier by action of the Georgia PSC pursuant to standards set forth in the Act. Consistent with such standards, the Georgia PSC has assigned substantially all of the land area in the state to a supplier. Notwithstanding such assignments, the Act provides that any new customer locating outside of 1973 municipal limits and having a connected load of at least 900 kilowatts may receive electric service from the supplier of its choice. (See also Item 1 - BUSINESS - "Competition" herein.)

Under and subject to the provisions of its franchises and concessions and the 1973 State Territorial Electric Service Act, SAVANNAH has the full but nonexclusive right to serve the City of Savannah, the Towns of Bloomingdale, Pooler, Garden City, Guyton, Newington, Oliver, Port Wentworth, Rincon, Tybee Island, Springfield, Thunderbolt, Vernonburg, and in conjunction with a secondary supplier, the Town of Richmond Hill. In addition, SAVANNAH has been assigned certain unincorporated areas in Chatham, Effingham, Bryan, Bulloch and Screven Counties by the

Georgia PSC. (See also Item 1 - BUSINESS - "Competition" herein.)

Pursuant to the 1956 Utility Act, the Mississippi PSC issued "Grandfather Certificates" of convenience and necessity to MISSISSIPPI and to six distribution rural cooperatives operating in southeastern Mississippi then served in whole or in part by MISSISSIPPI, authorizing them to distribute electricity in certain specified geographically described areas of the state. The six cooperatives serve approximately 300,000 retail customers in a certificated area of approximately 10,300 square miles. In areas included in a "Grandfather Certificate," the utility holding such certificate may, without further certification, extend its lines up to five miles; other extensions within that area by such utility, or by other utilities, may not be made except upon a showing of, and a grant of a certificate of, public convenience and necessity. Areas included in such a certificate which are subsequently annexed to municipalities may continue to be served by the holder of the certificate, irrespective of whether it has a franchise in the annexing municipality. On the other hand, the holder of the municipal franchise may not extend service into such newly annexed area without authorization by the Mississippi PSC.

Long-Term Power Sales Agreements

Reference is made to Note 7 to the financial statements for SOUTHERN, ALABAMA, GEORGIA, GULF and MISSISSIPPI in Item 8 herein for information regarding contracts for the sales of capacity and energy to non-territorial customers.

Competition

The electric utility industry in general has become, and is expected to continue to be, increasingly competitive as the result of factors including regulatory and technological developments. The Energy Act, enacted in 1992, was intended to foster competition in the wholesale market by, among other things, facilitating participation by independent power producers. The Energy Act includes provisions authorizing the FERC under certain conditions to order utilities owning transmission facilities to provide wholesale transmission services for other utilities or entities that generate energy.

Various federal and state initiatives designed to promote wholesale and retail competition include, among other things, proposals that would allow customers to choose their electricity provider. As the initiatives materialize, the structure of the utility industry could radically change. Certain initiatives could result in a change in the ownership and or operation of generation and transmission facilities. Numerous issues must be resolved, including significant ones relating to transmission pricing and recovery of stranded investments. Being a low-cost producer could provide significant opportunities to increase market share and profitability in markets that evolve with changing regulation. Unless SOUTHERN remains a low-cost producer and provides quality service, SOUTHERN's retail energy sales could be limited, and this could significantly erode earnings. Reference is made to each registrant's "Management's Discussion and Analysis - Future Earnings Potential" in Item 7 herein for further discussion of competition.

In order to adapt to the increasingly competitive environment in which they operate, SOUTHERN and the operating affiliates will evaluate and consider a wide array of potential business strategies. These may include business combinations or acquisitions involving other utility or non-utility businesses or properties, internal restructurings or reorganizations involving SOUTHERN, the operating affiliates or some combination thereof or dispositions of currently owned properties or currently operated business units. In addition to power marketing activities, SOUTHERN and the operating affiliates may engage in other new business ventures which arise from competitive and regulatory changes in the utility industry. Pursuit of any of the above strategies, or any combination thereof, may significantly affect the business operations and financial condition of SOUTHERN and the operating affiliates. (See Item 1 - BUSINESS - "New Business Development" herein.)

As a result of the foregoing factors, SOUTHERN has experienced increasing competition for available off-system sales of capacity and energy from neighboring utilities and alternative sources of energy. Additionally, the future effect of cogeneration and

small-power production facilities on the SOUTHERN system cannot currently be determined but may be adverse

ALABAMA currently has cogeneration contracts in effect with nine industrial customers. Under the terms of these contracts, ALABAMA purchases excess generation of such companies. During 1996, ALABAMA purchased approximately 77 million kilowatt-hours from such companies at a cost of $1.2 million. ALABAMA has entered into agreements with two of its industrial customers to construct cogeneration facilities at their premises. For additional information, reference is made to ALABAMA's "Management's Discussion and Analysis - Capital Requirements" in Item 7 herein.

GEORGIA currently has cogeneration contracts in effect with seven industrial customers. Under the terms of these contracts, GEORGIA purchases excess generation of such companies. During 1996, GEORGIA purchased 5 million kilowatt-hours from such companies at a cost of $119,000. GEORGIA has entered into a 30-year purchase power agreement, scheduled to begin in June 1998, for electricity during peaking periods from a planned 300-megawatt cogeneration facility. Payments are subject to reductions for failure to meet minimum capacity output Reference is made to Note 4 to the financial statements for GEORGIA in Item 8 herein for information regarding purchase power commitments.

GULF currently has cogeneration agreements for "as available" energy in effect with two industrial customers. During 1996, GULF purchased 82 million kilowatt-hours from such companies for $1.8 million.

MISSISSIPPI entered into agreements to purchase summer peaking power and options for power for the years 1996 through 2000. Also, the Company has purchased options from power marketers. Reference is made to Note 5 to the financial statements for MISSISSIPPI in Item 8 herein for information regarding fuel and purchased power commitments.

SAVANNAH currently has cogeneration contracts in effect with four industrial customers. Under the terms of these contracts, SAVANNAH purchases excess generation of such companies. During 1996, SAVANNAH purchased 2 million kilowatt-hours from such companies at a cost of $56,000.

The competition for retail energy sales among competing suppliers of energy is influenced by various factors, including price, availability, technological advancements and reliability. These factors are, in turn, affected by, among other influences, regulatory, political and environmental considerations, taxation and supply.

The operating affiliates have experienced, and expect to continue to experience, competition in their respective retail service territories in varying degrees as the result of self-generation (as described above) and fuel switching by customers and other factors. (See also Item 1 - BUSINESS - "Territory Served" herein for information concerning suppliers of electricity operating within or near the areas served at retail by the operating affiliates.)

Regulation

State Commissions

The operating affiliates and SEGCO are subject to the jurisdiction of their respective state regulatory commissions, which have broad powers of supervision and regulation over public utilities operating in the respective states, including their rates, service regulations, sales of securities (except for the Mississippi PSC) and, in the cases of the Georgia PSC and Mississippi PSC, in part, retail service territories. (See Item 1 - BUSINESS - "Rate Matters" and "Territory Served" herein.)

Holding Company Act

SOUTHERN is registered as a holding company under the Holding Company Act, and it and its subsidiary companies are subject to the regulatory provisions of said Act, including provisions relating to the issuance of securities, sales and acquisitions of securities and utility assets, services performed by SCS and Southern Nuclear, and the activities of certain of SOUTHERN's special purpose subsidiaries.

In June 1995, the Division of Investment Management of the SEC issued a report on its study of the regulation of public-utility holding companies. Concluding that significant changes in the current regulatory system are needed, the report offers various legislative and administrative recommendations for reform. The legislative option preferred by the Division in the report is repeal of the Holding Company Act coupled with new provisions for state access to books and records of holding company systems companies and for federal audit authority and oversight of intrasystem transactions. However, the prospects for legislative reform of the Holding Company Act are uncertain at this time.

Federal Power Act

The Federal Power Act subjects the operating affiliates and SEGCO to regulation by the FERC as companies engaged in the transmission or sale at wholesale of electric energy in interstate commerce, including regulation of accounting policies and practices.

ALABAMA and GEORGIA are also subject to the provisions of the Federal Power Act or the earlier Federal Water Power Act applicable to licensees with respect to their hydroelectric developments. Among the hydroelectric projects subject to licensing by the FERC are 14 existing ALABAMA generating stations having an aggregate installed capacity of 1,582,725 kilowatts and 18 existing GEORGIA generating stations having an aggregate installed capacity of 1,074,696 kilowatts.

The FERC granted three of GEORGIA's hydroelectric projects, the Lloyd Shoals, Langdale and Riverview new 30-year licenses that expire on January 1, 2024. The North Georgia Project was issued a new 40-year license effective October 1, 1996. There are numerous articles in this new license which require releases from some of the dams. These releases include those for minimum flows, aesthetics, and whitewater recreation. Reservoir level fluctuation limitations are also present. Additionally, the FERC has issued an order granting a combined, 40-year license for ALABAMA's Yates and Thurlow projects. As a part of the application for the combined, 40-year license for the Yates and Thurlow projects, ALABAMA agreed to expand the capacity of these units by a total of approximately 10 megawatts.

The FERC granted GEORGIA a new license, effective May 1, 1996, for Sinclair Dam. The license articles contain requirements to modify operational and minimum flows to enhance the environment for the robust redhorse (a threatened or endangered candidate species). License articles also cover issues such as operation of spillway gates, establishment of flow monitoring committees, and recreational enhancements.

GEORGIA filed, in September, 1996, with the FERC, a notice of its intent to seek a new license for the Flint River Project. Currently GEORGIA is awaiting a decision from the FERC as to whether or not the FERC has jurisdiction over this station. If the FERC determines it does not, then dam safety responsibilities shift to the State of Georgia and GEORGIA would not incur relicensing costs other than those incurred to date.

GEORGIA and OPC also have a license, expiring in 2027, for the Rocky Mountain Plant, a pure pumped storage facility of 847,800 kilowatt capacity which began commercial operation in 1995. (See Item 2 - PROPERTIES - "Jointly-Owned Facilities" herein and Note 3 to SOUTHERN's and GEORGIA's financial statements in Item 8 herein for additional information.)

Licenses for all projects, excluding those discussed above, expire in the period 2007-2023 in the case of ALABAMA's projects and in the period 2005-2020 in the case of GEORGIA's projects.

Upon or after the expiration of each license, the United States Government, by act of Congress, may take over the project, or the FERC may relicense the project either to the original licensee or to a new licensee. In the event of takeover or relicensing to another, the original licensee is to be compensated in accordance with the provisions of the Federal Power Act, such compensation to reflect the net investment of the licensee in the project, not in excess of the fair value of the property taken, plus reasonable damages to other property of the licensee resulting from the severance therefrom of the property taken.

Atomic Energy Act of 1954

ALABAMA, GEORGIA and Southern Nuclear are subject to the provisions of the Atomic Energy Act of 1954, as amended, which vests jurisdiction in the NRC

over the construction and operation of nuclear reactors, particularly with regard to certain public health and safety and antitrust matters. The National Environmental Policy Act has been construed to expand the jurisdiction of the NRC to consider the environmental impact of a facility licensed under the Atomic Energy Act of 1954, as amended.

Reference is made to Notes 1 and 13 to SOUTHERN's, Notes 1 and 12 to ALABAMA's and Notes 1 and 5 to GEORGIA's financial statements in Item 8 herein for information on nuclear decommissioning costs and nuclear insurance. Additionally, Note 3 to GEORGIA's financial statements contains information regarding nuclear performance standards imposed by the Georgia PSC that may impact retail rates.

Environmental Regulation

The operating affiliates and SEGCO are subject to federal, state and local environmental requirements which, among other things, control emissions of particulates, sulfur dioxide and nitrogen oxides into the air, the use, transportation, storage and disposal of hazardous and toxic waste; and discharges of pollutants, including thermal discharges, into waters of the United States. The operating affiliates and SEGCO expect to comply with such requirements, which generally are becoming increasingly stringent, through technical improvements, the use of appropriate combinations of low-sulfur fuel and chemicals, addition of environmental control facilities, changes in control techniques and reduction of the operating levels of generating facilities. Failure to comply with such requirements could result in the complete shutdown of individual facilities not in compliance as well as the imposition of civil and criminal penalties.

Reference is made to each registrant's "Management's Discussion and Analysis" in Item 7 herein for a discussion of the Clean Air Act and other environmental legislation and proceedings.

Possible adverse health effects of EMFs from various sources, including transmission and distribution lines, have been the subject of a number of studies and increasing public discussion. The scientific research currently is inconclusive as to whether EMFs may cause adverse health effects. However, there is the possibility of passage of legislation and promulgation of rulemaking that would require measures to mitigate EMFs with resulting increases in capital and operating costs. In addition, the potential exists for public liability with respect to lawsuits brought by plaintiffs alleging damages caused by EMFs.

The operating affiliates' and SEGCO's estimated capital expenditures for environmental quality control facilities for the years 1997, 1998 and 1999 are as follows: (in millions)

	1997	1998	1999
ALABAMA	$16.7	$31.0	$52.1
GEORGIA	9.0	10.0	12.0
GULF	3.1	0.9	-
MISSISSIPPI	2.0	0.2	1.9
SAVANNAH	2.6	0.8	3.3
SEGCO	1.7	-	-
SOUTHERN system	$35.1	$42.9	$69.3

* The foregoing estimates are included in the current construction programs. (See Item 1 - BUSINESS - "Construction Programs" herein.)

Additionally, each operating affiliate and SEGCO have incurred costs for environmental remediation of various sites. Reference is made to each registrant's "Management's Discussion and Analysis" in Item 7 herein for information regarding the registrants' environmental remediation efforts. Also, see Note 3 to SOUTHERN's and GEORGIA's financial statements in Item 8 herein for information regarding the identification of sites that may require environmental remediation by GEORGIA and Note 3 to MISSISSIPPI's financial statements in Item 8 herein for information regarding a site that may require environmental remediation by MISSISSIPPI.

The operating affiliates and SEGCO are unable to predict at this time what additional steps they may be required to take as a result of the implementation of existing or future quality control requirements for air, water and hazardous or toxic materials, but such steps could adversely affect system operations and result in substantial additional costs.

The outcome of the matters mentioned above under "Regulation" cannot now be determined, except that these developments may result in delays in obtaining appropriate licenses for generating facilities, increased construction and operating costs, or reduced generation, the nature and extent of which, while not determinable at this time, could be substantial.

Rate Matters

Rate Structure

The rates and service regulations of the operating affiliates are uniform for each class of service throughout their respective service areas. Rates for residential electric service are generally of the block type based upon kilowatt-hours used and include minimum charges

Residential and other rates contain separate customer charges. Rates for commercial service are presently of the block type and, for large customers, the billing demand is generally used to determine capacity and minimum bill charges. These large customers' rates are generally based upon usage by the customer including those with special features to encourage off-peak usage. Additionally, the operating affiliates are allowed by their respective PSCs to negotiate the terms and compensation of service to large customers. Such terms and compensation of service, however, are subject to final PSC approval. With respect to MISSISSIPPI's retail rates, fuel and purchased power costs above base levels included in the various rate schedules are billed to such customers under the fuel and energy adjustment clause. GULF and SAVANNAH recover from retail customers fuel and net purchased power costs through provisions which are adjusted to reflect increases or decreases in such costs. ALABAMA and GEORGIA are allowed by state law to recover fuel and net purchased energy costs through fuel cost recovery provisions which are adjusted to reflect increases or decreases in such costs. GULF's recovery of fuel costs is based upon a projection for six-months - any over under recovery during such period is reflected in a subsequent six-month period with interest. GULF's recovery of purchased power capacity costs is based upon an annual projection - any over/under recovery during such period is reflected in a subsequent annual period with interest. The adjustment factors for MISSISSIPPI's retail and wholesale rates are levelized based on the estimated energy cost for the year, adjusted for any actual over/under collection from the previous year. Revenues are adjusted for differences between recoverable fuel costs and amounts actually recovered in current rates.

Rate Proceedings

Reference is made to Note 3 to each registrant's financial statements in Item 8 herein for a discussion of rate matters. For each registrant (except SAVANNAH), such Note 3 includes a discussion of proceedings initiated by the FERC concerning the reasonableness of the Southern electric system's wholesale rate schedules and contracts that have a return on equity of 13.75% or greater

For information regarding GEORGIA's Rocky Mountain Plant, including a joint ownership agreement with OPC and the uncertain recovery of GEORGIA's costs in this plant, reference is made to Note 3 to SOUTHERN's and to GEORGIA's financial statements in Item 8 herein

In September 1996, the Florida PSC approved GULF's new optional Commercial/Industrial Service Rider, which is applicable to the rate schedules for GULF's largest existing and potential customers who are able to show they have viable alternatives to purchasing GULF's energy services. For additional information, reference is made to GULF's "Management's Discussion and Analysis - Future Earnings Potential" in Item 7 herein

Integrated Resource Planning

In 1991, the Georgia legislature passed certain legislation under which both GEORGIA and SAVANNAH must file Integrated Resource Plans for approval by the Georgia PSC. The plans must specify how GEORGIA and SAVANNAH each intends to meet the future electrical needs of their customers through a combination of demand-side and supply-side resources. The Georgia PSC must pre-certify these new resources. Once certified, all prudently incurred construction costs and purchased power costs will be recoverable through rates

By orders issued in 1992 and by amended orders issued in 1995, the Georgia PSC approved Integrated Resource Plans for both GEORGIA and SAVANNAH (See Note 3 to GEORGIA's and SAVANNAH's financial statements in Item 8 herein for information regarding demand-side option programs.)

On March 4, 1997, the Georgia PSC approved amendments to GEORGIA's 1995 Integrated Resource Plan. Pursuant to the amended plan, the Georgia PSC certified a five-year purchase power agreement scheduled to begin in June 2000 for approximately 215 megawatts. Capacity and fixed operation and maintenance payments over the five-year period are estimated to be approximately $39 million.

The Florida PSC set energy conservation goals for GULF, beginning in 1995, that require programs to reduce 154 megawatts of summer peak demand and 65,000 kilowatt-hours of sales by the year 2004. For additional information, reference is made to GULF's "Management's Discussion and Analysis - Future Earnings Potential" in Item 7 herein.

Environmental Cost Recovery Plans

GULF and MISSISSIPPI both have retail rate mechanisms that provide for recovery of environmental compliance costs. For a description of these plans, see Note 3 to GULF's and MISSISSIPPI's financial statements in Item 8 herein.

Employee Relations

The companies of the SOUTHERN system had a total of 29,246 employees on their payrolls at December 31, 1996.

	Employees at December 31, 1996
ALABAMA	6,865
GEORGIA	10,346
GULF	1,384
MISSISSIPPI	1,363
SAVANNAH	571
SCS	3,021
Southern Communications	129
Southern Development	72
Southern Energy*	4,212
Southern Nuclear	1,283
Total	29,246

*Includes 3,710 employees on international payroll.

The operating affiliates have separate agreements with local unions of the IBEW generally covering wages, working conditions and procedures for handling grievances and arbitration. These agreements apply with certain exceptions to operating, maintenance and construction employees.

ALABAMA has agreements with the IBEW on a three-year contract extending to August 15, 1998. Upon notice given at least 60 days prior to that date, negotiations may be initiated with respect to agreement terms to be effective after such date.

GEORGIA has an agreement with the IBEW covering wages and working conditions, which is in effect through June 30, 1999. GEORGIA also has a contract with the United Plant Guard Workers of America with respect to Plant Hatch which extends through September 30, 1998.

GULF has an agreement with the IBEW on a three-year contract extending to August 15, 1998.

MISSISSIPPI has an agreement with the IBEW on a three-year contract extending to August 16, 1998.

SAVANNAH has three-year labor agreements with the IBEW and the Office and Professional Employees International Union that expire April 16, 1999 and December 1, 1999, respectively.

Southern Energy has agreements with local unions of the IBEW and the United Paperworkers International Union which covers employees of Mobile Energy These agreements extend to May 31, 1997. Southern Energy is currently in negotiations with the IBEW and the United Paperworkers International Union.

Southern Nuclear has an agreement with the IBEW on a three-year contract extending to August 15, 1998 Upon notice given at least 60 days prior to that date, negotiations may be initiated with respect to agreement terms to be effective after such date.

The agreements also subject the terms of the pension plans for the companies discussed above to collective bargaining with the unions at five-year intervals

Item 2. PROPERTIES

Electric Properties

The operating affiliates and SEGCO, at December 31 1996, operated 33 hydroelectric generating stations, 32 fossil fuel generating stations and three nuclear generating stations. The amounts of capacity owned by each company are shown in the table below.

Generating Station	Location	Nameplate Capacity (1) (Kilowatts)
Fossil Steam		
Gadsden	Gadsden, AL	120,000
Gorgas	Jasper, AL	1,221,250
Barry	Mobile, AL	1,525,000
Chickasaw	Chickasaw, AL	40,000
Greene County	Demopolis, AL	300,000 (2)
Gaston Unit 5	Wilsonville, AL	880,000
Miller	Birmingham, AL	2,532,288 (3)
ALABAMA Total		6,618,538
Arkwright	Macon, GA	160,000
Atkinson	Atlanta, GA	180,000
Bowen	Cartersville, GA	3,160,000
Branch	Milledgeville, GA	1,539,700
Hammond	Rome, GA	800,000
McDonough	Atlanta, GA	490,000
McManus	Brunswick, GA	115,000
Mitchell	Albany, GA	170,000
Scherer	Macon, GA	750,924 (4)
Wansley	Carrollton, GA	925,550 (5)
Yates	Newnan, GA	1,250,000
GEORGIA Total		9,541,174
Crist	Pensacola, FL	1,045,000
Lansing Smith	Panama City, FL	305,000
Scholz	Chattahoochee, FL	80,000
Daniel	Pascagoula, MS	500,000 (6)
Scherer Unit 3	Macon, GA	204,500 (4)
GULF Total		2,134,500
Eaton	Hattiesburg, MS	67,500
Sweatt	Meridian, MS	80,000
Watson	Gulfport, MS	1,012,000
Daniel	Pascagoula, MS	500,000 (6)
Greene County	Demopolis, AL	200,000 (2)
MISSISSIPPI Total		1,859,500
McIntosh	Effingham County, GA	163,117
Kraft	Port Wentworth, GA	281,136
Riverside	Savannah, GA	102,278
SAVANNAH Total		546,531
Gaston Units 1-4 (SEGCO)	Wilsonville, AL	1,000,000 (7)
Total Fossil Steam		21,700,243
Nuclear Steam		
Farley (ALABAMA)	Dothan, AL	1,720,000
Hatch	Baxley, GA	840,250 (8)
Vogtle	Augusta, GA	1,060,240 (9)
GEORGIA Total		1,900,490
Total Nuclear Steam		3,620,490
Combustion Turbines		
Greene County (ALABAMA)	Demopolis, AL	220,000
Arkwright	Macon, GA	20,580
Atkinson	Atlanta, GA	78,770
Bowen	Cartersville, GA	39,400
McDonough	Atlanta, GA	78,810
McIntosh Units 1,2,3,4,7,8	Effingham County, GA	480,000
McManus	Brunswick, GA	481,700
Mitchell	Albany, GA	118,200
Robins	Warner Robins, GA	160,000
Wilson	Augusta, GA	354,100
Wansley	Carrollton, GA	26,322 (5)
GEORGIA Total		1,847,822
Lansing Smith Unit A (GULF)	Panama City, FL	39,400
Chevron Cogenerating Station	Pascagoula, MS	147,292 (10)
Sweatt	Meridian, MS	39,400
Watson	Gulfport, MS	29,360
MISSISSIPPI Total		226,052
Boulevard	Savannah, GA	9,180
Kraft	Port Wentworth, GA	72,000
McIntosh Units 5&6	Effingham County, GA	160,000
SAVANNAH Total		241,180

Generating Station	Location	Nameplate Capacity (Kilowatts)
Gaston (SEGCO)	Wilsonville, AL	19,680 (7)
Total Combustion Turbines		3,094,054
Hydroelectric Facilities		
Weiss	Leesburg, AL	87,750
Henry	Ohatchee, AL	72,900
Logan Martin	Vincent, AL	128,250
Lay	Clanton, AL	177,000
Mitchell	Verbena, AL	170,000
Jordan	Wetumpka, AL	100,000
Bouldin	Wetumpka, AL	225,000
Harris	Wedowee, AL	135,000
Martin	Dadeville, AL	154,200
Yates	Tallassee, AL	32,000
Thurlow	Tallassee, AL	58,000
Lewis Smith	Jasper, AL	157,500
Bankhead	Holt, AL	45,125
Holt	Holt, AL	40,000
ALABAMA Total		1,582,725
Barnett Shoals (Leased)	Athens, GA	2,800
Bartletts Ferry	Columbus, GA	173,000
Goat Rock	Columbus, GA	26,000
Lloyd Shoals	Jackson, GA	14,400
Morgan Falls	Atlanta, GA	16,800
North Highlands	Columbus, GA	29,600
Oliver Dam	Columbus, GA	60,000
Rocky Mountain	Rome, GA	215,256 (11)
Sinclair Dam	Milledgeville, GA	45,000
Tallulah Falls	Clayton, GA	72,000
Terrora	Clayton, GA	16,000
Tugalo	Clayton, GA	45,000
Wallace Dam	Eatonton, GA	321,300
Yonah	Toccoa, GA	22,500
6 Other Plants		18,080
GEORGIA Total		1,077,736
Total Hydroelectric Facilities		2,660,461
Total Generating Capacity		31,075,248

Notes

(1) For additional information regarding facilities jointly-owned with non-affiliated parties, see Item 2 - PROPERTIES - "Jointly-Owned Facilities" herein

(2) Owned by ALABAMA and MISSISSIPPI as tenants in common in the proportions of 60% and 40%, respectively

(3) Excludes the capacity owned by AEC

(4) Capacity shown for GEORGIA is 8.4% of Units 1 and 2 and 75% of Unit 3. Capacity shown for GULF is 25% of Unit 3

(5) Capacity shown is GEORGIA's portion (53.5%) of total plant capacity

(6) Represents 50% of the plant which is owned as tenants in common by GULF and MISSISSIPPI

(7) SEGCO is jointly-owned by ALABAMA and GEORGIA. (See Item 1 - BUSINESS herein.)

(8) Capacity shown is GEORGIA's portion (50.1%) of total plant capacity

(9) Capacity shown is GEORGIA's portion (45.7%) of total plant capacity

(10) Generation is dedicated to a single industrial customer

(11) Capacity shown is GEORGIA's portion (25.4%) of total plant capacity. OPC operates the plant

Except as discussed below under "Titles to Property," the principal plants and other important units of the operating affiliates and SEGCO are owned in fee by the respective companies. It is the opinion of management of each such company that its operating properties are adequately maintained and are substantially in good operating condition.

MISSISSIPPI owns a 79-mile length of 500-kilovolt transmission line which is leased to Gulf States. The line, completed in 1984, extends from Plant Daniel to the Louisiana state line. Gulf States is paying a use fee over a forty-year period covering all expenses and the amortization of the original $57 million cost of the line. At December 31, 1996, the unamortized portion of this cost was $39 million.

The all-time maximum demand on the operating affiliates and SEGCO was 27,419,700 kilowatts and occurred in August 1995. This amount excludes demand served by capacity retained by MEAG and Dalton and excludes demand associated with power purchased from OPC and SEPA by its preference customers. At that time, 29,596,100 kilowatts were supplied by SOUTHERN system generation and 2,176,400 kilowatts (net) were sold to other parties through net purchased and interchanged power. The reserve margin for the operating affiliates and SEGCO at that time was 9.4%. For additional

Item 2. PROPERTIES

Electric Properties

The operating affiliates and SEGCO, at December 31, 1996, operated 33 hydroelectric generating stations, 32 fossil fuel generating stations and three nuclear generating stations. The amounts of capacity owned by each company are shown in the table below

Generating Station	Location	Nameplate Capacity (1) (Kilowatts)
Fossil Steam		
Gadsden	Gadsden, AL	120,000
Gorgas	Jasper, AL	1,221,250
Barry	Mobile, AL	1,525,000
Chickasaw	Chickasaw, AL	40,000
Greene County	Demopolis, AL	300,000 (2)
Gaston Unit 5	Wilsonville, AL	880,000
Miller	Birmingham, AL	2,532,288 (3)
ALABAMA Total		6,618,538
Arkwright	Macon, GA	160,000
Atkinson	Atlanta, GA	180,000
Bowen	Cartersville, GA	3,160,000
Branch	Milledgeville, GA	1,539,700
Hammond	Rome, GA	800,000
McDonough	Atlanta, GA	490,000
McManus	Brunswick, GA	115,000
Mitchell	Albany, GA	170,000
Scherer	Macon, GA	750,924 (4)
Wansley	Carrollton, GA	925,550 (5)
Yates	Newnan, GA	1,250,000
GEORGIA Total		9,541,174
Crist	Pensacola, FL	1,045,000
Lansing Smith	Panama City, FL	305,000
Scholz	Chattahoochee, FL	80,000
Daniel	Pascagoula, MS	500,000 (6)
Scherer Unit 3	Macon, GA	204,500 (4)
GULF Total		2,134,500
Eaton	Hattiesburg, MS	67,500
Sweatt	Meridian, MS	80,000
Watson	Gulfport, MS	1,012,000
Daniel	Pascagoula, MS	500,000 (6)
Greene County	Demopolis, AL	200,000 (2)
MISSISSIPPI Total		1,859,500
McIntosh	Effingham County, GA	163,117
Kraft	Port Wentworth, GA	281,136
Riverside	Savannah, GA	102,278
SAVANNAH Total		546,531
Gaston Units 1-4 (SEGCO)	Wilsonville, AL	1,000,000 (7)
Total Fossil Steam		21,700,243
Nuclear Steam		
Farley (ALABAMA)	Dothan, AL	1,720,000
Hatch	Baxley, GA	840,250 (8)
Vogtle	Augusta, GA	1,060,240 (9)
GEORGIA Total		1,900,490
Total Nuclear Steam		3,620,490
Combustion Turbines		
Greene County (ALABAMA)	Demopolis, AL	720,000
Arkwright	Macon, GA	30,580
Atkinson	Atlanta, GA	78,720
Bowen	Cartersville, GA	39,400
McDonough	Atlanta, GA	78,800
McIntosh Units 1,2,3,4,7,8	Effingham County, GA	480,000
McManus	Brunswick, GA	481,700
Mitchell	Albany, GA	118,200
Robins	Warner Robins, GA	160,000
Wilson	Augusta, GA	354,100
Wansley	Carrollton, GA	26,322 (5)
GEORGIA Total		1,847,822
Lansing Smith Unit A (GULF)	Panama City, FL	39,400
Chevron Cogenerating Station	Pascagoula, MS	147,292 (10)
Sweatt	Meridian, MS	39,400
Watson	Gulfport, MS	39,360
MISSISSIPPI Total		226,052
Boulevard	Savannah, GA	9,100
Kraft	Port Wentworth, GA	12,000
McIntosh Units 5&6	Effingham County, GA	160,000
SAVANNAH Total		241,100

Generating Station	Location	Nameplate Capacity (Kilowatts)
Gaston (SEGCO)	Wilsonville, AL	19,680 (7)
Total Combustion Turbines		3,094,634
Hydroelectric Facilities		
Weiss	Leesburg, AL	87,750
Henry	Ohatchee, AL	72,900
Logan Martin	Vincent, AL	128,250
Lay	Clanton, AL	177,000
Mitchell	Verbena, AL	170,000
Jordan	Wetumpka, AL	100,000
Bouldin	Wetumpka, AL	225,000
Harris	Wedowee, AL	135,000
Martin	Dadeville, AL	154,200
Yates	Tallassee, AL	32,000
Thurlow	Tallassee, AL	58,000
Lewis Smith	Jasper, AL	157,500
Bankhead	Holt, AL	45,125
Holt	Holt, AL	40,000
ALABAMA Total		1,582,725
Barnett Shoals (Leased)	Athens, GA	2,800
Bartletts Ferry	Columbus, GA	173,000
Goat Rock	Columbus, GA	26,000
Lloyd Shoals	Jackson, GA	14,400
Morgan Falls	Atlanta, GA	16,800
North Highlands	Columbus, GA	29,600
Oliver Dam	Columbus, GA	60,000
Rocky Mountain	Rome, GA	215,256 (11)
Sinclair Dam	Milledgeville, GA	45,000
Tallulah Falls	Clayton, GA	72,000
Terrora	Clayton, GA	16,000
Tugalo	Clayton, GA	45,000
Wallace Dam	Eatonton, GA	321,300
Yonah	Toccoa, GA	22,500
6 Other Plants		18,080
GEORGIA Total		1,077,736
Total Hydroelectric Facilities		2,660,461
Total Generating Capacity		31,075,248

Notes

(1) For additional information regarding facilities jointly-owned with non-affiliated parties, see Item 2 - PROPERTIES - "Jointly-Owned Facilities" herein

(2) Owned by ALABAMA and MISSISSIPPI as tenants in common in the proportions of 60% and 40%, respectively

(3) Excludes the capacity owned by AEC

(4) Capacity shown for GEORGIA is 8.4% of Units 1 and 2 and 75% of Unit 3. Capacity shown for GULF is 25% of Unit 3

(5) Capacity shown is GEORGIA's portion (53.5%) of total plant capacity

(6) Represents 50% of the plant which is owned as tenants in common by GULF and MISSISSIPPI

(7) SEGCO is jointly-owned by ALABAMA and GEORGIA. (See Item 1 - BUSINESS herein.)

(8) Capacity shown is GEORGIA's portion (50.1%) of total plant capacity

(9) Capacity shown is GEORGIA's portion (45.7%) of total plant capacity

(10) Generation is dedicated to a single industrial customer

(11) Capacity shown is GEORGIA's portion (25.4%) of total plant capacity. OPC operates the plant

Except as discussed below under "Titles to Property," the principal plants and other important units of the operating affiliates and SEGCO are owned in fee by the respective companies. It is the opinion of management of each such company that its operating properties are adequately maintained and are substantially in good operating condition.

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The all-time maximum demand on the operating affiliates and SEGCO was 27,419,700 kilowatts and occurred in August 1995. This amount excludes demand served by capacity retained by MEAG and Dalton and excludes demand associated with power purchased from OPC and SEPA by its preference customers. At that time, 29,596,100 kilowatts were supplied by SOUTHERN system generation and 2,176,400 kilowatts (net) were sold to other parties through net purchased and interchanged power. The reserve margin for the operating affiliates and SEGCO at that time was 9.4%. For additional

information on peak demands, reference is made to Item 6 - SELECTED FINANCIAL DATA herein.

ALABAMA and GEORGIA will incur significant costs in decommissioning their nuclear units at the end of their useful lives. (See Item 1 - BUSINESS - "Regulation - Atomic Energy Act of 1954" and Note 1 to SOUTHERN's, ALABAMA's and GEORGIA's financial statements in Item 8 herein.)

Other Electric Generation Facilities

Through special purpose subsidiaries, SOUTHERN owns interests in or operates independent power production facilities and foreign utility companies. The generating capacity of these utilities (or facilities) at December 31, 1996, was as follows:

Facilities in Operation

Facility	Location	Units	Megawatts of Capacity Owned	Megawatts of Capacity Operated	Percent Ownership	Type
Alicura	Argentina	4	551 (1)	1,000	55.14 (1)	Hydro
Birchwood	Virginia	1	111	222	50.00	Coal (2)
Edelnor	Chile	1	104	160	65.00	Coal
Edelnor	Chile	27	55	86	65.00	Oil
Edelnor	Chile	2	7	10	65.00	Hydro
Freeport	Grand Bahamas	5	71	113	62.50	Oil & Gas
UDG-Niagara	New York	1	-	50	-	Coal (2)
Mobile Energy	Alabama	3	111	111	100.00	Waste/Biomass (2)
Penal	Trinidad and Tobago	5	92	236	39.00	Gas
Port of Spain	Trinidad and Tobago	6	120	308	39.00	Gas
Pt. Fortin	Trinidad and Tobago	10	247	634	39.00	Gas
SWEB	United Kingdom	8	108	-	5.78	Gas
SWEB	United Kingdom	21	19	21	75.00	Oil & Gas
SWEB	United Kingdom	3	6	-	28.70	Wind
Total Capacity			1,602	2,951		

Facilities Under Development

Facility	Location	Megawatts of Capacity Own	Megawatts of Capacity Operate	Percent Ownership	Type
Edelnor	Chile	104	160	65.00	Coal
State Line (3)	Indiana	490	490	100.00	Coal
Total Capacity		594	650		

Notes (1) Represents megawatts of capacity under a concession agreement expiring in the year 2013.
(2) Cogeneration facility.
(3) The proposed purchase of this facility is subject to regulatory approval.

Jointly-Owned Facilities

ALABAMA and GEORGIA have sold and GEORGIA has purchased undivided interests in certain generating plants and other related facilities to or from non-affiliated parties. The percentages of ownership resulting from these transactions are as follows:

	Total Capacity (Megawatts)	Percentage Ownership						
		ALABAMA	AEC	GEORGIA	OPC	MEAG	DALTON	FPC
Plant Miller Units 1 and 2	1,320	91.8%	8.2%	-%	-%	-%	-%	-%
Plant Hatch	1,677	-	-	50.1	30.0	17.7	2.2	-
Plant Vogtle	2,320	-	-	45.7	30.0	22.7	1.6	-
Plant Scherer Units 1 and 2	1,636	-	-	8.4	60.0	30.2	1.4	
Plant Wansley	1,779	-	-	53.5	30.0	15.1	1.4	-
Rocky Mountain	848	-	-	25.4	74.6	-	-	-
Intercession City, FL	150	-	-	33.3	-	-	-	66.7

ALABAMA and GEORGIA have contracted to operate and maintain the respective units in which each has an interest (other than Rocky Mountain and Intercession City, as described below) as agent for the joint owners.

In connection with the joint ownership arrangements for Plant Vogtle, GEORGIA made commitments to purchase declining fractions of OPC's and MEAG's capacity and energy from this plant. The declining commitments were in effect during periods of up to seven years following commercial operation and ended in 1996. The commitments regarding a portion of a 5 percent interest in Plant Vogtle owned by MEAG are in effect until the later of retirement of the plant or the latest stated maturity date of MEAG's bonds issued to finance such ownership interest. The payments for capacity are required whether any capacity is available. The energy cost is a function of each unit's variable operating costs. Except for the portion of the capacity payments related to the 1987 and 1990 write-offs of Plant Vogtle costs, the cost of such capacity and energy is included in purchased power from non-affiliates in GEORGIA's Statements of Income in Item 8 herein.

In December 1988, GEORGIA and OPC entered into a joint ownership agreement for the Rocky Mountain plant under which GEORGIA agreed to retain its present investment in the project and OPC agreed to finance, complete and operate the facility. In 1995, the plant went into commercial operation. GEORGIA's net investment in the plant is approximately $175 million and GEORGIA's ownership is 25.4 percent. Reference is made to Note 3 to SOUTHERN's and GEORGIA's financial statements in Item 8 herein for additional information regarding the Rocky Mountain plant.

In 1994, GEORGIA and FPC entered into a joint ownership agreement regarding the Intercession City combustion turbine unit. The unit began commercial operation in January 1997, and is operated by FPC. GEORGIA owns a one-third interest in the 150 megawatt unit, with use of 100% of the capacity from June through September. FPC has the capacity the remainder of the year. GEORGIA's investment in the unit is approximately $13 million.

Sale of Property

Reference is made to Note 6 to GEORGIA's financial statements in Item 8 herein for information regarding the sale completed in 1995 of GEORGIA's remaining ownership interest in Plant Scherer Unit 4.

Titles to Property

The operating affiliates' and SEGCO's interests in the principal plants (other than certain pollution control facilities, one small hydroelectric generating station leased by GEORGIA and the land on which five combustion turbine generators of MISSISSIPPI are located, which is held by easement) and other important units of the respective companies are owned in fee by such companies, subject only to the liens of applicable mortgage indentures (except for SEGCO) and to excepted encumbrances as defined therein. The operating affiliates own the fee interests in certain of their principal plants as tenants in common. (See Item 2 - PROPERTIES - "Jointly-Owned Facilities" herein.) Properties such as electric transmission and distribution lines and steam heating mains are constructed principally on rights-of-way which are maintained under franchise or are held by easement only. A substantial portion of lands submerged by reservoirs is held under flood right easements. In substantially all of its coal reserve lands, SEGCO owns or will own the coal only, with adequate rights for the mining and removal thereof.

Property Additions and Retirements

During the period from January 1, 1992 to December 31, 1996, the operating affiliates, SEGCO, SCS, Southern Nuclear, Southern Communications and Southern Energy recorded gross property additions and retirements as follows:

	Gross Property Additions	Retirements
	(in millions)	
ALABAMA (1)	$2,318	$ 383
GEORGIA (2)	2,730	1,633
GULF	347	130
MISSISSIPPI	441	86
SAVANNAH	189	16
SEGCO	60	9
SCS	108	122
Southern Nuclear	7	5
Southern Communications	194	-
Southern Energy	318	22
SOUTHERN system	$6,712	$2,406

Notes:

(1) Includes approximately $62 million attributable to sale of 8.2% interest in Plant Miller Units 1 and 2 to AEC in 1992.

(2) Includes approximately $436 million attributable to 1992 through 1996 sales of Plant Scherer Unit 4 to FP&L and JEA.

Item 3. LEGAL PROCEEDINGS

(1) **Stepak v. certain SOUTHERN officials**
(U.S. District Court for the Southern District of Georgia)

Reference is made to Note 3 to SOUTHERN's financial statements in Item 8 herein under the caption "Stockholder Suit Concluded."

(2) **SOUTHERN and Subsidiaries v. Commissioner of the IRS**
(U.S. Tax Court)

In June 1994, a tax deficiency notice was received from the IRS for the years 1984 through 1987 with regard to the tax accounting by GEORGIA for the sale in 1984 of an interest in Plant Vogtle and related capacity and energy buyback commitments. The potential tax deficiency and interest arising from this issue currently amount to approximately $25 million and $32 million, respectively. The tax deficiency relates to a timing issue as to when taxes are paid; therefore, only the interest portion could affect future income. Management believes that the IRS position is incorrect, and GEORGIA has filed a petition with the U.S. Tax Court challenging the IRS's position. In order to minimize additional interest charges should the IRS's position prevail, GEORGIA made a payment to the IRS related to the potential tax deficiency in September 1994. In conjunction with this matter, SOUTHERN has filed certain refund claims related to the years 1984 through 1987. SOUTHERN and the IRS have entered into negotiations on all issues, the outcome of which is currently uncertain.

(3) **Frost v. ALABAMA**
(Circuit Court of Jefferson County, Alabama)

Reference is made to Note 3 to SOUTHERN's and ALABAMA's financial statements in Item 8 herein under the captions "Alabama Power Appliance Warranty Litigation" and "Appliance Warranty Litigation", respectively.

(4) GEORGIA has been designated as a potentially responsible party under the Comprehensive Environmental Response, Compensation and Liability Act with respect to a site in Brunswick, Georgia.

Reference is made to Note 3 to SOUTHERN's and GEORGIA's financial statements in Item 8 herein under the captions "Georgia Power Potentially Responsible Party Status" and "Certain Environmental Contingencies," respectively.

See Item 1 - BUSINESS - "Construction Programs," "Fuel Supply," "Regulation - Federal Power Act" and "Rate Matters" as well as Note 3 to each registrant's financial statements in Item 8 herein for a description of certain other administrative and legal proceedings discussed therein.

Additionally, each of the operating affiliates, Southern Energy, SCS, Southern Nuclear, Southern Development and Southern Communications are, in the normal course of business, engaged in litigation or administrative proceedings that include, but are not limited to, acquisition of property, injuries and damages claims, and complaints by present and former employees.

Item 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None.

EXECUTIVE OFFICERS OF SOUTHERN

(Identification of executive officers of SOUTHERN is inserted in Part I in accordance with Regulation S-K, Item 401(b), Instruction 3.) The ages of the officers set forth below are as of December 31, 1996.

A. W. Dahlberg
Chairman, President and Chief Executive Officer
Age 56
Elected in 1985; President and Chief Executive Officer of GEORGIA from 1988 through 1993. He was elected President of SOUTHERN effective January 1994. He was elected Chairman and Chief Executive Officer effective March 1995.

Paul J. DeNicola
Executive Vice President and Director
Age 48
Elected in 1989; Executive Vice President of SOUTHERN since 1991. Elected President and Chief Executive Officer of SCS effective January 1994. He previously served as Executive Vice President of SCS from 1991 to 1993.

H. Allen Franklin
Executive Vice President and Director
Age 52
Elected in 1988, President and Chief Executive Officer of SCS from 1988 through 1993 and, beginning 1991, Executive Vice President of SOUTHERN. He was elected President and Chief Executive Officer of GEORGIA effective January 1994.

Elmer B. Harris
Executive Vice President and Director
Age 57
Elected in 1989, President and Chief Executive Officer of ALABAMA since 1989 and, beginning 1991, Executive Vice President of SOUTHERN.

David M. Ratcliffe
Senior Vice President
Age 48
Elected in 1995, President and Chief Executive Officer of MISSISSIPPI from 1991 to 1995. He also serves as Executive Vice President of SCS beginning in 1995.

W. L. Westbrook
Financial Vice President, Chief Financial Officer and Treasurer
Age 57
Elected in 1986, responsible primarily for all aspects of financing for SOUTHERN. He has served as Executive Vice President of SCS since 1986.

Thomas G. Boren
Vice President
Age 47
Elected in 1995, President and Chief Executive Officer of Southern Energy since 1992. He previously served as Senior Vice President of GEORGIA from 1989 to 1992.

Bill M. Guthrie
Vice President
Age 63
Elected in 1991, serves as Chief Production Officer for the SOUTHERN system. Senior Executive Vice President of SCS effective January 1994 and Executive Vice President of ALABAMA since 1988. He also serves as Executive Vice President of GEORGIA and Vice President of GULF, MISSISSIPPI and SAVANNAH.

W. G. Hairston, III
Age 52
President and Chief Executive Officer of Southern Nuclear since 1993. He has also served as Executive Vice President of GEORGIA since 1989.

Each of the above is currently an officer of SOUTHERN, serving a term running from the last annual meeting of the directors (May 22, 1996) for one year until the next annual meeting or until his successor is elected and qualified.

PART II

Item 5. MARKET FOR REGISTRANTS' COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

(a) The common stock of SOUTHERN is listed and traded on the New York Stock Exchange. The stock is also traded on regional exchanges across the United States. High and low stock prices, per the New York Stock Exchange Composite Tape during each quarter for the past two years were as follows:

	High	Low
1996		
First Quarter	$25-7/8	$22-3/8
Second Quarter	24-5/8	21-1/4
Third Quarter	24-5/8	21-3/4
Fourth Quarter	23-1/8	21-1/8
1995		
First Quarter	$21-1/2	$19-3/8
Second Quarter	22-7/8	20-1/8
Third Quarter	24	21-1/8
Fourth Quarter	25	22-3/4

There is no market for the other registrants' common stock, all of which is owned by SOUTHERN. On February 28, 1997, the closing price of SOUTHERN's common stock was $21-3/4.

(b) Number of SOUTHERN's common stockholders at December 31, 1996:

215,246

Each of the other registrants have one common stockholder, SOUTHERN.

(c) Dividends on each registrant's common stock are payable at the discretion of their respective board of directors. The dividends on common stock paid and/or declared by SOUTHERN and the operating affiliates to their stockholder(s) for the past two years were as follows: (in thousands)

Registrant	Quarter	1996	1995
SOUTHERN	First	$211,081	$201,866
	Second	211,272	203,060
	Third	212,200	203,061
	Fourth	212,201	203,178
ALABAMA	First	76,000	71,900
	Second	76,400	69,500
	Third	76,400	69,300
	Fourth	118,700	74,300
GEORGIA	First	121,500	113,900
	Second	122,100	110,200
	Third	122,100	109,700
	Fourth	109,800	117,700
GULF	First	12,300	11,700
	Second	12,400	11,300
	Third	12,400	11,300
	Fourth	21,200	12,100
MISSISSIPPI	First	10,600	9,900
	Second	10,700	9,600
	Third	10,600	9,600
	Fourth	12,000	10,300
SAVANNAH	First	4,800	4,400
	Second	4,800	4,300
	Third	4,800	4,300
	Fourth	5,200	4,600

The dividend paid per share by SOUTHERN was 30.5¢ for each quarter of 1995 and 31.5¢ for each quarter of 1996. The dividend paid on SOUTHERN's common stock for the first quarter of 1997 was raised to 32.5¢ per share.

The amount of dividends on their common stock that may be paid by the subsidiary registrants is restricted in accordance with their respective first mortgage bond indenture and charter. The amounts of earnings retained in the business and the amounts restricted against the payment of cash dividends on common stock at December 31, 1996, were as follows.

	Retained Earnings	Restricted Amount
	(in millions)	
ALABAMA	$1,185	$ 796
GEORGIA	1,675	897
GULF	179	127
MISSISSIPPI	166	118
SAVANNAH	109	68
Consolidated	3,764	2,008

Item 6. SELECTED FINANCIAL DATA

SOUTHERN. Reference is made to information under the heading "Selected Consolidated Financial and Operating Data," contained herein at pages II-37 through II-52.

ALABAMA. Reference is made to information under the heading "Selected Financial and Operating Data," contained herein at pages II-80 through II-93.

GEORGIA. Reference is made to information under the heading "Selected Financial and Operating Data," contained herein at pages II-126 through II-140.

GULF. Reference is made to information under the heading "Selected Financial and Operating Data," contained herein at pages II-168 through II-181.

MISSISSIPPI. Reference is made to information under the heading "Selected Financial and Operating Data," contained herein at pages II-208 through II-221.

SAVANNAH. Reference is made to information under the heading "Selected Financial and Operating Data," contained herein at pages II-243 through II-255.

Item 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION

SOUTHERN. Reference is made to information under the heading "Management's Discussion and Analysis of Results of Operations and Financial Condition," contained herein at pages II-8 through II-14.

ALABAMA. Reference is made to information under the heading "Management's Discussion and Analysis of Results of Operations and Financial Condition," contained herein at pages II-56 through II-61.

GEORGIA. Reference is made to information under the heading "Management's Discussion and Analysis of Results of Operations and Financial Condition," contained herein at pages II-97 through II-103.

GULF. Reference is made to information under the heading "Management's Discussion and Analysis of Results of Operations and Financial Condition," contained herein at pages II-144 through II-150.

MISSISSIPPI. Reference is made to information under the heading "Management's Discussion and Analysis of Results of Operations and Financial Condition," contained herein at pages II-185 through II-191.

SAVANNAH. Reference is made to information under the heading "Management's Discussion and Analysis of Results of Operations and Financial Condition," contained herein at pages II-225 through II-229.

Item 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

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Item 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None

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THE SOUTHERN COMPANY AND SUBSIDIARY COMPANIES

FINANCIAL SECTION

The management of Southern Company has prepared -- and is responsible for -- the consolidated financial statements and related information included in this report. These statements were prepared in accordance with generally accepted accounting principles appropriate in the circumstances and necessarily include amounts that are based on the best estimates and judgments of management. Financial information throughout this annual report is consistent with the financial statements.

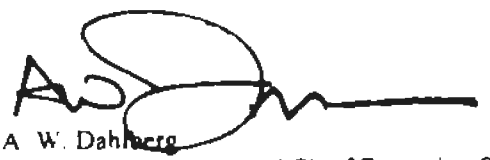
The company maintains a system of internal accounting controls to provide reasonable assurance that assets are safeguarded and that books and records reflect only authorized transactions of the company. Limitations exist in any system of internal controls, however, based on a recognition that the cost of the system should not exceed its benefits. The company believes its system of internal accounting controls maintains an appropriate cost/benefit relationship.

The company's system of internal accounting controls is evaluated on an ongoing basis by the company's internal audit staff. The company's independent public accountants also consider certain elements of the internal control system in order to determine their auditing procedures for the purpose of expressing an opinion on the financial statements.

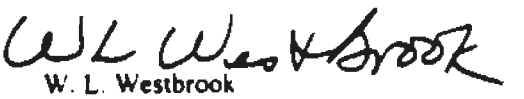
The audit committee of the board of directors, composed of five directors who are not employees, provides a broad overview of management's financial reporting and control functions. Periodically, this committee meets with management, the internal auditors, and the independent public accountants to ensure that these groups are fulfilling their obligations and to discuss auditing, internal controls, and financial reporting matters. The internal auditors and independent public accountants have access to the members of the audit committee at any time.

Management believes that its policies and procedures provide reasonable assurance that the company's operations are conducted according to a high standard of business ethics.

In management's opinion, the consolidated financial statements present fairly, in all material respects, the financial position, results of operations, and cash flows of Southern Company and its subsidiary companies in conformity with generally accepted accounting principles.



A. W. Dahlberg
Chairman, President, and Chief Executive Officer



W. L. Westbrook
Financial Vice President, Chief Financial Officer, and Treasurer

February 12, 1997

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Board of Directors and to the Stockholders of Southern Company:

We have audited the accompanying consolidated balance sheets and consolidated statements of capitalization of Southern Company (a Delaware corporation) and subsidiary companies as of December 31, 1996 and 1995, and the related consolidated statements of income, retained earnings, paid-in capital, and cash flows for each of the three years in the period ended December 31, 1996. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements (pages II-15 through II-36) referred to above present fairly, in all material respects, the financial position of Southern Company and subsidiary companies as of December 31, 1996 and 1995, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1996, in conformity with generally accepted accounting principles.

Arthur Andersen LLP

Atlanta, Georgia
February 12, 1997

RESULTS OF OPERATIONS

Earnings and Dividends

Southern Company's 1996 financial results exceeded the strong performance recorded in 1995. The traditional core business of selling electricity in the Southeast remained strong, while non-traditional business results reflected a full year of South Western Electricity's (SWEB) operations. The acquisition of SWEB in late 1995 by Southern Energy, Inc. (Southern Energy) made a significant positive impact on non-traditional earnings. Net income of over $1.1 billion and earnings per share of $1.68 for 1996 both established record highs. Net income increased $24 million compared with the amount reported for 1995. Continued cost controls, steady demand for electricity, and growth in the non-traditional business were the dominant forces that favorably affected 1996 earnings.

Costs related to work force reduction programs decreased earnings by $53 million or 8 cents per share and $17 million or 2 cents per share in 1996 and 1995, respectively. These costs are expected to be recovered through future savings in approximately two years following each program's implementation.

In 1995, earnings were $1.1 billion or $1.66 per share -- up 14 cents from the per share amount reported in 1994. Earnings in 1995 were affected by a reduction in costs related to work force reduction programs, and much hotter temperatures when compared with 1994 results.

Dividends paid on common stock during 1996 were $1.26 per share or 31 1/2 cents per quarter. During 1995 and 1994, dividends paid per share were $1.22 and $1.18, respectively. In January 1997, the Southern Company board of directors raised the quarterly dividend to 32 1/2 cents per share or an annual rate of $1.30 per share.

Acquisitions

Southern Energy owns and manages international and domestic non-traditional electric power production and delivery facilities for Southern Company. Southern Energy's acquisition of Consolidated Electric Power Asia (CEPA) closed in January 1997, and is not included in Southern Company's 1996 results. Southern Energy did acquire several businesses in late 1995 and 1994. These businesses have been included in the consolidated financial statements since the date of acquisition and are not reflected in prior periods. Therefore, changes in revenues and expenses for 1996 and for 1995 reflect significant amounts related to acquisitions, which were not fully reflected in each year being compared. To facilitate discussing the results of operations, Southern Energy's variances are shown separately and are predominantly acquisition related.

Revenues

Operating revenues increased in 1996 and 1995 as a result of the following factors:

	Increase (Decrease) From Prior Year		
	1996	1995	1994
	(in millions)		
Retail --			
Change in base rates	$ (18)	$ -	$ 3
Sales growth	142	177	153
Weather	(64)	143	(177)
Fuel cost recovery and other	2	134	(107)
Total retail	62	454	(128)
Sales for resale --			
Within service area	10	39	(87)
Outside service area	14	(90)	(108)
Total sales for resale	24	(51)	(195)
Southern Energy	1,040	458	131
Other operating revenues	52	22	-
Total operating revenues	$1,178	$883	$(192)
Percent change	12.8%	10.6%	(2.3)%

Retail revenues of $7.7 billion in 1996 increased 0.8 percent from last year, compared with an increase of 6.4 percent in 1995. Under fuel cost recovery provisions, fuel revenues generally equal fuel expense -- including the fuel component of purchased energy -- and do not affect net income.

Sales for resale revenues within the service area were $409 million in 1996, up 2.5 percent from the prior year. Revenues from sales for resale within the service area were $399 million in 1995, up 11 percent from the prior year. This increase in 1995 resulted primarily from the prolonged hot summer weather, which increased the demand for electricity

Revenues from sales to utilities outside the service area under long-term contracts consist of capacity and energy components. Capacity revenues reflect the recovery of fixed costs and a return on investment under the contracts. Energy is generally sold at variable cost.

	1996	1995	1994
		(in millions)	
Capacity	$217	$237	$276
Energy	176	151	176
Total	$393	$388	$452

Capacity revenues decreased in 1996 because the amount of capacity under contract declined slightly in 1996 and by 100 megawatts in 1995. Additional declines in capacity are not scheduled until after 1999.

Changes in traditional core business revenues are influenced heavily by the amount of energy sold each year. Kilowatt-hour sales for 1996 and the percent change by year were as follows:

(billions of kilowatt-hours)	Amount 1996	Percent Change 1996	1995	1994
Residential	40.1	2.5%	9.2%	(2.6)%
Commercial	38.0	5.7	5.5	3.8
Industrial	52.8	2.2	2.7	3.2
Other	0.9	5.7	2.1	3.8
Total retail	131.8	3.3	5.4	1.6
Sales for resale --				
Within service area	10.9	15.4	16.2	(38.5)
Outside service area	10.8	17.9	(15.1)	(13.5)
Total	153.5	5.0	4.4	(3.4)

The rate of increase in 1996 retail energy sales continued to be strong. The number of customers served increased by nearly 71,000 during the year. Residential energy sales experienced only moderate gains as a result of milder summer weather in 1996, compared with the extremely hot summer of 1995. Commercial and industrial sales continue to show slight gains in excess of the national average. This reflects the strength of business and economic conditions in Southern Company's traditional service area. Energy sales to retail customers are projected to increase at an average annual rate of 2.1 percent during the period 1997 through 2007.

Energy sales for resale outside the service area are predominantly unit power sales under long-term contracts to Florida utilities. Economy sales and amounts sold under short-term contracts are also sold for resale outside the service area. Sales to customers outside the service area increased in 1996 and declined in 1995 when compared with the prior year. However, these fluctuations in energy sales have minimal effect on earnings because Southern Company is paid for dedicating specific amounts of its generating capacity to these utilities outside the service area.

Expenses

Total operating expenses of $8.5 billion for 1996 increased $1.2 billion compared with the prior year. Traditional core business expenses increased $240 million. Southern Energy's expenses increased $970 million. The large increase for Southern Energy resulted primarily from SWEB, which was acquired in late 1995. The costs to produce and deliver electricity for the traditional core business in 1996 increased by $79 million to meet higher energy demands. Also, costs related to work force reduction programs increased expenses by $58 million. Depreciation expenses and property taxes increased by $50 million as a result of additional utility plant being placed into service. The amortization of deferred expenses related to Plant Vogtle increased by $13 million in 1996 when compared with the prior year.

In 1995, operating expenses of $7.3 billion increased 11 percent compared with 1994. Traditional core business expenses increased $322 million. Southern Energy's expenses increased $390 million. Total production costs for the core business were up $120 million. Depreciation expense and taxes other than income taxes increased $78 million. Also, the amortization of deferred Plant Vogtle expenses increased $49 million compared with the amount in 1994.

Fuel costs constitute the single largest expense for Southern Company. The mix of fuel sources for generation of electricity is determined primarily by

system load, the unit cost of fuel consumed, and the availability of hydro and nuclear generating units. The amount and sources of generation and the average cost of fuel per net kilowatt-hour generated -- within the core business service area -- were as follows:

	1996	1995	1994
Total generation (billions of kilowatt-hours)	156	147	142
Sources of generation (percent) --			
Coal	77	77	75
Nuclear	17	17	19
Hydro	4	4	5
Oil and gas	2	2	1
Average cost of fuel per net kilowatt-hour generated (cents) --			
Coal	1.65	1.73	1.80
Nuclear	0.52	0.56	0.56
Oil and gas	5.20	3.37	3.99
Total	1.48	1.53	1.56

Fuel and purchased power costs of $3.3 billion in 1996 increased $731 million compared with 1995. Traditional core business increased $49 million and Southern Energy increased $682 million because of the acquisition of SWEB in late 1995. The traditional core business's customer demand for electricity rose by 7.9 billion kilowatt-hours more than in 1995. The additional cost to meet the demand was offset slightly by a lower average cost of fuel per net kilowatt-hour generated. Fuel and purchased power expenses of $2.6 billion in 1995 increased $282 million compared with the prior year. Traditional core business accounted for $73 million of the increase because of higher energy sales.

For 1996, total income taxes decreased $12 million compared with the prior year. Traditional core business income taxes decreased $47 million, and Southern Energy increased $35 million. The decrease was attributable to less taxable income from core business operations. For 1995, income taxes rose $84 million above the amount reported for 1994. Traditional core business increased $65 million and Southern Energy accounted for the remainder.

Total gross interest charges and preferred stock dividends increased $19 million from amounts reported in the previous year. These costs for core business continued to decline by $71 million, but Southern Energy's interest charges increased. The decline in costs for core business was attributable to lower interest rates and continued refinancing activities in 1996. In 1995, these costs for core business decreased $12 million. As a result of favorable market conditions, $574 million in 1996, $1.1 billion in 1995, and $1.0 billion in 1994 of senior securities were issued for the primary purpose of retiring higher-cost securities.

Effects of Inflation

Southern Company is subject to rate regulation and income tax laws that are based on the recovery of historical costs. Therefore, inflation creates an economic loss because the company is recovering its costs of investments in dollars that have less purchasing power. While the inflation rate has been relatively low in recent years, it continues to have an adverse effect on Southern Company because of the large investment in long-lived utility plant. Conventional accounting for historical cost does not recognize this economic loss nor the partially offsetting gain that arises through financing facilities with fixed-money obligations such as long-term debt and preferred stock. Any recognition of inflation by regulatory authorities is reflected in the rate of return allowed.

Future Earnings Potential

The results of operations for the past three years are not necessarily indicative of future earnings potential. The level of future earnings depends on numerous factors ranging from energy sales growth to a less regulated more competitive environment, with non-traditional business becoming more significant.

Work force reduction programs have reduced earnings by $53 million, $17 million, and $61 million for the years 1996, 1995, and 1994, respectively. These actions will assist in efforts to control growth in future operating expenses.

Future earnings in the near term will depend upon growth in energy sales, which are subject to a number of factors. Traditionally, these factors have included weather, competition, changes in contracts with neighboring utilities, energy conservation practiced by customers, the elasticity of demand, and the rate of economic growth in the company's service area. However, the Energy Policy Act of 1992 (Energy Act) is having a dramatic effect on the future of the electric utility industry. The Energy Act promotes energy efficiency, alternative fuel use, and increased competition for electric utilities. Southern Company is positioning its

business to meet the challenge of this major change in the traditional practice of selling electricity. The Energy Act allows independent power producers (IPPs) to access a utility's transmission network in order to sell electricity to other utilities. This enhances the incentive for IPPs to build cogeneration plants for a utility's large industrial and commercial customers and sell energy generation to other utilities. Also, electricity sales for resale rates are being driven down by wholesale transmission access and numerous potential new energy suppliers, including power marketers and brokers. Southern Company is aggressively working to maintain and expand its share of wholesale sales in the Southeastern power markets.

Various federal and state initiatives designed to promote wholesale and retail competition, among other things, include proposals that would allow customers to choose their electricity provider. As the initiatives materialize, the structure of the utility industry could radically change. Certain initiatives could result in a change in the ownership and/or operation of generation and transmission facilities. Numerous issues must be resolved, including significant ones relating to transmission pricing and recovery of stranded investments. Being a low-cost producer could provide significant opportunities to increase market share and profitability in markets that evolve with changing regulation. Unless Southern Company remains a low-cost producer and provides quality service, the company's retail energy sales growth could be limited, and this could significantly erode earnings.

The Energy Act amended the Public Utility Holding Company Act of 1935 (PUHCA). The amendment allows holding companies to form exempt wholesale generators and foreign utility companies to sell power largely free of regulation under PUHCA. These entities are able to sell power to affiliates -- under certain restrictions -- and to own and operate power generating facilities in other domestic and international markets. To take advantage of existing and evolving opportunities, Southern Energy -- founded in 1981 -- is focusing on international and domestic cogeneration, the independent power market, and the privatization of generating and distribution facilities in the international market. As the marketplace evolves, Southern Energy is positioning the company to become a major competitor for providing energy-related services, including energy trading and marketing. Also Southern Energy is expanding the business through acquisitions. In late 1995, SWEB was acquired for approximately $1.8 billion. In July 1996, a 25 percent interest in SWEB was sold. The acquisition of an 80 percent interest in CEPA for a total net investment of some $2.1 billion was completed in early 1997. For additional information on these acquisitions, see Note 14 to the financial statements.

The CEPA acquisition is expected to be slightly dilutive in the near term. However, Southern Energy's investments should increase the opportunities for long-term future earnings growth. At December 31, 1996, Southern Energy's total assets amounted to $4.9 billion, and with the inclusion of CEPA assets will be nearly $10 billion.

Rates to retail customers served by the system operating companies are regulated by the respective state public service commissions in Alabama, Florida, Georgia, and Mississippi. Rates for Alabama Power and Mississippi Power are adjusted periodically within certain limitations based on earned retail rate of return compared with an allowed return. See Note 3 to the financial statements for information about other retail and wholesale regulatory matters.

The staff of the Securities and Exchange Commission has questioned certain of the current accounting practices of the electric utility industry -- including Southern Company's -- regarding the recognition, measurement, and classification of decommissioning costs for nuclear generating facilities in the financial statements. In response to these questions, the Financial Accounting Standards Board (FASB) has decided to review the accounting for liabilities related to closure and removal of long-lived assets, including nuclear decommissioning. If the FASB issues new accounting rules, the estimated costs of closing and removing Southern Company's nuclear and other facilities may be required to be recorded as liabilities in the Consolidated Balance Sheets. Also, the annual provisions for such costs could change. Because of the company's current ability to recover closure and removal costs through rates, these changes would not have a significant adverse effect on results of operations. See Note 1 to the financial statements under "Depreciation and Nuclear Decommissioning" for additional information.

Southern Company is involved in various matters being litigated. See Note 3 to the financial statements for information regarding material issues that could possibly affect future earnings.

Compliance costs related to the Clean Air Act Amendments of 1990 (Clean Air Act) could affect earnings if such costs are not fully recovered. The Clean

Air Act and other important environmental items are discussed later under "Environmental Matters."

The operating companies are subject to the provisions of FASB Statement No. 71, Accounting for the Effects of Certain Types of Regulation. In the event that a portion of a company's operations is no longer subject to these provisions, the company would be required to write off related regulatory assets and liabilities, and determine if any other assets have been impaired. See Note 1 to the financial statements under "Regulatory Assets and Liabilities" for additional information.

FINANCIAL CONDITION

Overview

Southern Company's financial condition continues to remain strong. Earnings per share set a record high in 1996. Net income continued to increase in 1996 and exceeded $1.1 billion. Based on this performance, in January 1997, the Southern Company board of directors increased the common stock dividend for the sixth consecutive year.

Gross property additions to utility plant were $1.2 billion. The majority of funds needed for gross property additions since 1993 have been provided from operating activities, principally from earnings and non-cash charges to income such as depreciation and deferred income taxes. The Consolidated Statements of Cash Flows provide additional details.

Southern Company uses financial derivatives on a limited basis to mitigate business risks. At December 31, 1996, the credit and price risks for derivatives outstanding were not material to the financial statements. See Note 1 to the financial statements under "Financial Instruments" for additional information.

Capital Structure

Southern Company achieved a ratio of common equity to total capitalization -- including short-term debt -- of 45.1 percent in 1996, compared with 42.4 percent in 1995, and 44.4 percent in 1994. The company's goal is to maintain the common equity ratio generally within a range of 40 percent to 45 percent.

During 1996, the subsidiary companies sold $85 million of first mortgage bonds and, through public authorities, $167 million of pollution control revenue bonds. Preferred securities of $322 million were issued in 1996. The companies continued to reduce financing costs by retiring higher-cost bonds and preferred stock. Retirements, including maturities, of bonds totaled $600 million during 1996, $1.3 billion during 1995, and $973 million during 1994. Retirements of preferred stock totaled $179 million during 1996, and $1 million a year during 1995 and 1994. As a result, the composite interest rate on long-term debt decreased from 7.6 percent at December 31, 1993, to 6.9 percent at December 31, 1996. During this same period, the composite dividend rate on preferred stock declined from 6.4 percent to 6.2 percent.

In 1996, Southern Company raised $171 million from the issuance of new common stock under the company's various stock plans. At the close of 1996, the company's common stock had a market value of 22⅝ per share, compared with a book value of $13.61 per share. The market-to-book value ratio was 166 percent at the end of 1996, compared with 188 percent at year-end 1995, and 160 percent at year-end 1994.

Capital Requirements for Construction

The construction program of Southern Company is budgeted at $1.4 billion for 1997, $1.3 billion for 1998, and $1.4 billion for 1999. The total is $4.1 billion for the three years. Actual construction costs may vary from this estimate because of changes in such factors as: business conditions, environmental regulations; nuclear plant regulations, load projections, the cost and efficiency of construction labor, equipment, and materials, and the cost of capital. In addition, there can be no assurance that costs related to capital expenditures for the operating companies will be fully recovered.

The operating companies do not have any traditional baseload generating plants under construction, and current energy demand forecasts do not require any traditional baseload facilities until well into the future. Significant construction of transmission and distribution facilities and upgrading of generating plants will be continuing.

Other Capital Requirements

In addition to the funds needed for the construction program, approximately $1.2 billion will be required by the end of 1999 for present sinking fund requirements and maturities of long-term debt. Also, the subsidiaries will continue to retire higher-cost debt and preferred stock and replace these obligations with lower-cost capital if market conditions permit.

Environmental Matters

In November 1990, the Clean Air Act was signed into law. Title IV of the Clean Air Act -- the acid rain compliance provision of the law -- impacts Southern Company. Specific reductions in sulfur dioxide and nitrogen oxide emissions from fossil-fired generating plants are required in two phases. Phase I compliance began in 1995 and initially affected 28 generating units of Southern Company. As a result of the company's compliance strategy, an additional 22 generating units were brought into compliance with Phase I requirements. Phase II compliance is required in 2000, and all fossil-fired generating plants will be affected.

In 1995, the Environmental Protection Agency (EPA) began issuing annual sulfur dioxide emission allowances through the allowance trading program. An emission allowance is the authority to emit one ton of sulfur dioxide during a calendar year. The sulfur dioxide emission allowance program is expected to minimize the cost of compliance. Southern Company's sulfur dioxide compliance strategy is designed to use allowances as a compliance option.

Southern Company achieved Phase I sulfur dioxide compliance at the affected plants by switching to low-sulfur coal, which required some equipment upgrades. This compliance strategy resulted in unused emission allowances being banked for later use. Construction expenditures for Phase I compliance totaled approximately $310 million.

For Phase II sulfur dioxide compliance, Southern Company could use emission allowances, increase fuel switching, and/or install flue gas desulfurization equipment at selected plants. Also, equipment to control nitrogen oxide emissions will be installed on additional system fossil-fired units as required to meet Phase II limits. Therefore, current compliance strategy could require total Phase II estimated construction expenditures of approximately $80 million, of which $60 million remains to be spent. However, the full impact of Phase II compliance cannot now be determined with certainty, pending the continuing development of a market for emission allowances, the completion of EPA regulations, and the possibility of new emission reduction technologies.

An average increase of up to 1 percent in revenue requirements from customers could be necessary to fully recover the cost of compliance for both Phase I and Phase II of Title IV of the Clean Air Act. Compliance costs include construction expenditures, increased costs for switching to low-sulfur coal, and costs related to emission allowances.

A significant portion of costs related to the acid rain provision of the Clean Air Act is expected to be recovered through existing ratemaking provisions. However, there can be no assurance that all Clean Air Act costs will be recovered.

The EPA and state environmental regulatory agencies are reviewing and evaluating various matters including: revisions to the ambient air quality standards for ozone and particulate matter, emission control strategies for ozone non-attainment areas; additional controls for hazardous air pollutant emissions, and hazardous waste disposal requirements. The impact of new standards will depend on the development and implementation of applicable regulations.

Southern Company must comply with other environmental laws and regulations that cover the handling and disposal of hazardous waste. Under these various laws and regulations, the subsidiaries could incur substantial costs to clean up properties. The subsidiaries conduct studies to determine the extent of any required cleanup costs and have recognized in their respective financial statements costs to clean up known sites. These costs for Southern Company amounted to $8 million a year for 1995 and 1994. In 1996, the company was reimbursed $6 million for amounts previously expensed. Additional sites may require environmental remediation for which the subsidiaries may be liable for a portion or all required cleanup costs. See Note 3 to the financial statements for information regarding Georgia Power's potentially responsible party status at a site in Brunswick, Georgia.

Several major pieces of environmental legislation are being considered for reauthorization or amendment by Congress. These include the Clean Air Act; the Clean Water Act; the Comprehensive Environmental Response, Compensation, and Liability Act; the Resource Conservation and Recovery Act, the Toxic Substances Control Act; and the Endangered Species Act. Changes to these laws could affect many areas of Southern Company's operations. The full impact of any such changes cannot be determined at this time.

Compliance with possible additional legislation related to global climate change, electromagnetic fields, and other environmental and health concerns could significantly affect Southern Company. The impact of

new legislation -- if any -- will depend on the subsequent development and implementation of applicable regulations. In addition, the potential exists for liability as the result of lawsuits alleging damages caused by electromagnetic fields.

Sources of Capital

Southern Company plans to issue additional equity capital in 1997. The amount and timing of additional equity capital to be raised in 1997-- as well as in subsequent years -- will be contingent on Southern Company's investment opportunities. Equity capital can be provided from any combination of public offerings, private placements, or the company's stock plans. Any portion of the common stock required during 1997 for the company's stock plans that is not provided from the issuance of new stock will be acquired on the open market in accordance with the terms of such plans.

The operating companies plan to obtain the funds required for construction and other purposes from sources similar to those used in the past, which was primarily from internal sources. However, the type and timing of any financings -- if needed -- will depend on market conditions and regulatory approval.

To meet short-term cash needs and contingencies, Southern Company had approximately $445 million of cash and cash equivalents and $4.1 billion of unused credit arrangements with banks at the beginning of 1997.

To issue additional first mortgage bonds and preferred stock, the operating companies must comply with certain earnings coverage requirements designated in their mortgage indentures and corporate charters. The ability to issue securities in the future will depend on coverages at that time. Currently, each of the operating companies expects to have adequate coverage ratios for anticipated requirements through at least 1999.

CONSOLIDATED STATEMENTS OF INCOME

For the Years Ended December 31, 1996, 1995, and 1994

Southern Company and Subsidiary Companies 1996 Annual Report

	1996	1995 (in millions)	1994
Operating Revenues	$ 10,358	$9,180	$8,297
Operating Expenses:			
Operation --			
Fuel	2,245	2,126	2,058
Purchased power	1,103	491	277
Other	1,860	1,626	1,505
Maintenance	782	683	660
Depreciation and amortization	996	904	821
Amortization of deferred Plant Vogtle costs, net	137	124	75
Taxes other than income taxes	634	535	475
Income taxes	747	805	711
Total operating expenses	8,504	7,294	6,582
Operating Income	1,854	1,886	1,715
Other Income:			
Allowance for equity funds used during construction	4	5	11
Interest income	54	38	32
Other, net	42	(65)	(28)
Income taxes applicable to other income	(10)	36	26
Income Before Interest Charges	1,944	1,900	1,756
Interest Charges and Other:			
Interest on long-term debt	530	557	568
Allowance for debt funds used during construction	(19)	(20)	(18)
Interest on notes payable	107	63	33
Amortization of debt discount, premium, and expense, net	33	44	30
Other interest charges	46	43	47
Minority interest in subsidiaries	13	13	20
Distributions on preferred securities of subsidiary companies	22	9	-
Preferred dividends of subsidiary companies	85	88	87
Interest charges and other, net	817	797	767
Consolidated Net Income	$ 1,127	$1,103	$ 989
Common Stock Data:			
Average number of shares of common stock outstanding (in millions)	673	665	650
Earnings per share common stock	$1.68	$1.66	$1.52
Cash dividends paid per share of common stock	$1.26	$1.22	$1.18

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS

For the Years Ended December 31, 1996, 1995, and 1994

	1996	1995 (in millions)	1994
Balance at Beginning of Year	$3,483	$3,191	$2,968
Consolidated net income	1,127	1,103	989
	4,610	4,294	3,957
Cash dividends on common stock	846	811	766
Balance at End of Year (Note 9)	$3,764	$3,483	$3,191

The accompanying notes are an integral part of these statements

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 1996, 1995, and 1994

Southern Company and Subsidiary Companies 1996 Annual Report

	1996	1995	1994
		(in millions)	
Operating Activities:			
Consolidated net income	$ 1,127	$ 1,103	$ 989
Adjustments to reconcile consolidated net income to net cash provided by operating activities --			
Depreciation and amortization	1,201	1,134	1,050
Deferred income taxes and investment tax credits	57	117	(4)
Allowance for equity funds used during construction	(4)	(5)	(11)
Amortization of deferred Plant Vogtle c[illegible], net	137	124	75
Gain on asset sales	(59)	(33)	(52)
Other, net	79	(52)	45
Changes in certain current assets and liabilities --			
Receivables, net	(92)	(109)	114
Fossil fuel stock	57	28	(110)
Materials and supplies	47	11	(18)
Accounts payable	19	(138)	81
Other	(168)	135	(48)
Net cash provided from operating activities	2,401	2,315	2,111
Investing Activities:			
Gross property additions	(1,229)	(1,401)	(1,536)
Southern Energy business acquisitions	-	(1,416)	(405)
Sales of property	211	287	171
Other	(275)	153	(87)
Net cash used for investing activities	(1,293)	(2,377)	(1,857)
Financing Activities:			
Proceeds --			
Common stock	171	277	279
Preferred securities	322	-	100
First mortgage bonds	85	375	185
Other long-term debt	1,570	1,805	1,188
Retirements --			
Preferred stock	(179)	(1)	(1)
First mortgage bonds	(426)	(538)	(241)
Other long-term debt	(1,754)	(902)	(1,039)
Increase (decrease) in notes payable, net	(268)	727	37
Payment of common stock dividends	(846)	(811)	(766)
Miscellaneous	(110)	(237)	(35)
Net cash provided from (used for) financing activities	(1,435)	695	(293)
Net Increase (Decrease) in Cash and Cash Equivalents	(327)	633	(39)
Cash and Cash Equivalents at Beginning of Year	772	139	178
Cash and Cash Equivalents at End of Year	$ 445	$ 772	$ 139
Supplemental Cash Flow Information:			
Cash paid during the year for --			
Interest (net of amount capitalized)	$677	$622	$618
Income taxes	$652	$645	$[illegible]
Southern Energy business acquisitions --			
Fair value of assets acquired	$-	$2,745	$604
Less cash paid for common stock	-	1,416	405
Liabilities assumed	$-	$1,329	$199

The accompanying notes are an integral part of these statements

CONSOLIDATED BALANCE SHEETS

At December 31, 1996 and 1995

Southern Company and Subsidiary Companies 1996 Annual Report

Assets	1996	1995
	(in millions)	
Utility Plant:		
Plant in service (Note 1)	**$ 33,260**	$ 31,878
Less accumulated provision for depreciation	**10,921**	10,067
	22,339	21,811
Nuclear fuel, at amortized cost	**246**	225
Construction work in progress (Note 4)	**684**	990
Total	**23,269**	23,026
Other Property and Investments:		
Argentine operating concession, being amortized	**416**	431
Goodwill (Note 14)	**318**	344
Nuclear decommissioning trusts	**279**	201
Miscellaneous	**488**	317
Total	**1,501**	1,293
Current Assets:		
Cash and cash equivalents	**445**	772
Special deposits	**44**	156
Receivables, less accumulated provisions for uncollectible accounts of $32 million in 1996 and $37 million in 1995	**1,458**	1,366
Fossil fuel stock, at average cost	**270**	327
Materials and supplies, at average cost	**510**	552
Prepayments	**253**	266
Vacation pay deferred	**77**	74
Total	**3,057**	3,513
Deferred Charges:		
Deferred charges related to income taxes (Note 8)	**1,302**	1,386
Deferred Plant Vogtle costs	**171**	308
Debt expense, being amortized	**78**	68
Premium on reacquired debt, being amortized	**289**	295
Miscellaneous	**625**	633
Total	**2,465**	2,690
Total Assets	**$ 30,292**	$ 30,522

The accompanying notes are an integral part of these balance sheets

CONSOLIDATED BALANCE SHEETS

At December 31, 1996 and 1995

Southern Company and Subsidiary Companies 1996 Annual Report

Capitalization and Liabilities	1996	1995
	(in millions)	
Capitalization (See accompanying statements):		
Common stock equity	$ 9,216	$ 8,772
Preferred stock of subsidiaries	980	1,332
Subsidiary obligated mandatorily redeemable preferred securities	422	100
Long-term debt	7,935	8,274
Total	18,553	18,478
Current Liabilities:		
Amount of securities due within one year	364	509
Notes payable	1,483	1,670
Accounts payable	788	785
Customer deposits	132	216
Taxes accrued-		
Federal and state income	12	93
Other	193	179
Interest accrued	187	199
Vacation pay accrued	104	100
Miscellaneous	535	530
Total	3,798	4,281
Deferred Credits and Other Liabilities:		
Accumulated deferred income taxes (Note 8)	4,738	4,611
Deferred credits related to income taxes (Note 8)	879	936
Accumulated deferred investment tax credits	788	820
Employee benefits provisions	439	431
Minority interest	375	231
Prepaid capacity revenues	122	131
Department of Energy assessments	81	86
Disallowed Plant Vogtle capacity buyback costs	57	59
Storm damage reserves	35	31
Miscellaneous	427	427
Total	7,941	7,763
Commitments and Contingent Matters (Notes 1, 2, 3, 4, 5, 7, 13, and 14)		
Total Capitalization and Liabilities	$ 30,292	$ 30,522

The accompanying notes are an integral part of these balance sheets

CONSOLIDATED STATEMENTS OF CAPITALIZATION

At December 31, 1996 and 1995

Southern Company and Subsidiary Companies 1996 Annual Report

	1996	1995	1996	1995
	(in millions)		(percent of total)	
Common Stock Equity:				
Common stock, par value $5 per share --				
Authorized -- 1 billion shares				
Outstanding -- 1996: 677 million shares				
1995: 670 million shares	$ 3,385	$ 3,348		
Paid-in capital	2,067	1,941		
Retained earnings (Note 9)	3,764	3,483		
Total common stock equity	9,216	8,772	49.7 %	47.5 %
Cumulative Preferred Stock of Subsidiaries:				
$100 par or stated value --				
4.20% to 5.96%	199	199		
6.32% to 7.88%	130	205		
$25 par or stated value --				
$1.90 to $2.125	191	295		
6.40% to 7.60%	323	323		
Auction rates -- at January 1, 1997:				
4.01% to 4.09%	70	70		
Adjustable rates -- at January 1, 1997:				
5.01% to 5.66%	240	240		
Total (annual dividend requirement -- $72 million)	1,153	1,332		
Less amount due within one year	173	-		
Total excluding amount due within one year	980	1,332	5.3	7.2
Subsidiary Obligated Mandatorily Redeemable Preferred Securities (Note 10):				
$25 liquidation value				
7.375%	97	-		
7.75%	225	-		
9%	100	100		
Total (annual distribution requirement -- $34 million)	422	100	2.3	0.5

CONSOLIDATED STATEMENTS OF CAPITALIZATION (continued)

At December 31, 1996 and 1995

Southern Company and Subsidiary Companies 1996 Annual Report

		1996	1995	1996	1995
		(in millions)		(percent of total)	
Long-Term Debt of Subsidiaries:					
First mortgage bonds --					
Maturity	Interest Rates				
1996	4 1/2 %	-	60		
1996	4 3/4 %	-	150		
1996	8.665%	-	6		
1997	7 7/8 %	25	25		
1997	8.665%	7	7		
1998	5% to 8.665%	238	238		
1999	6 1/8% to 8.665%	373	373		
2000	6% to 8.665%	349	349		
2001	8.665%	9	9		
2002 through 2006	6.07% to 8.665%	1,017	962		
2007 through 2011	6 7/8% to 9%	292	293		
2012 through 2016	8.665%	85	85		
2017 through 2021	8.665% to 9 1/4%	228	376		
2022 through 2026	6 7/8% to 9%	1,497	1,528		
Total first mortgage bonds		4,120	4,461		
Other long-term debt (Note 11)		4,084	4,403		
Unamortized debt premium (discount), net		(78)	(81)		
Total long-term debt (annual interest requirement -- $564 million)		8,126	8,783		
Less amount due within one year (Note 12)		191	509		
Long-term debt excluding amount due within one year		7,935	8,274	42.7	44.8
Total Capitalization		$ 18,553	$ 18,478	100.0 %	100.0 %

CONSOLIDATED STATEMENTS OF PAID-IN CAPITAL

For the Years Ended December 31, 1996, 1995, and 1994

	1996	1995	1994
		(in millions)	
Balance at Beginning of Year	$1,941	$1,712	$1,503
Proceeds from sales of common stock over the par value -- 7.5 million, 13.0 million, and 13.9 million shares in 1996, 1995, and 1994, respectively	133	212	209
Miscellaneous	(7)	17	-
Balance at End of Year	$2,067	$1,941	$1,712

The accompanying notes are an integral part of these statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General

Southern Company is the parent company of five operating companies, a system service company, Southern Communications Services (Southern Communications), Southern Energy, Inc. (Southern Energy), Southern Nuclear Operating Company (Southern Nuclear), The Southern Development and Investment Group (Southern Development), and other direct and indirect subsidiaries. The operating companies -- Alabama Power, Georgia Power, Gulf Power, Mississippi Power, and Savannah Electric -- provide electric service in four southeastern states. Contracts among the operating companies -- dealing with jointly owned generating facilities, interconnecting transmission lines, and the exchange of electric power -- are regulated by the Federal Energy Regulatory Commission (FERC) or the Securities and Exchange Commission (SEC). The system service company provides, at cost, specialized services to Southern Company and subsidiary companies. Southern Communications provides digital wireless communications services to the operating companies and also markets these services to the public within the Southeast. Southern Energy designs, builds, owns, and operates power production and delivery facilities and provides a broad range of energy related services in the United States and international markets. Southern Nuclear provides services to Southern Company's nuclear power plants. Southern Development develops new business opportunities related to energy products and services

Southern Company is registered as a holding company under the Public Utility Holding Company Act of 1935 (PUHCA). Both the company and its subsidiaries are subject to the regulatory provisions of the PUHCA. The operating companies also are subject to regulation by the FERC and their respective state regulatory commissions. The companies follow generally accepted accounting principles and comply with the accounting policies and practices prescribed by their respective commissions. The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates, and the actual results may differ from those estimates. All material intercompany items have been eliminated in consolidation.

The consolidated financial statements reflect investments in majority-owned or controlled subsidiaries on a consolidated basis and other investments on an equity basis. Certain prior years' data presented in the consolidated financial statements have been reclassified to conform with current year presentation

Regulatory Assets and Liabilities

The operating companies are subject to the provisions of Financial Accounting Standards Board (FASB) Statement No. 71, Accounting for the Effects of Certain Types of Regulation. Regulatory assets represent probable future revenues to the operating companies associated with certain costs that are expected to be recovered from customers through the ratemaking process. Regulatory liabilities represent probable future reductions in revenues associated with amounts that are to be credited to customers through the ratemaking process. Regulatory assets and (liabilities) reflected in the Consolidated Balance Sheets at December 31 relate to the following:

	1996	1995
	(in millions)	
Deferred income taxes	$1,302	$1,386
Deferred Plant Vogtle costs	171	308
Premium on reacquired debt	269	295
Demand-side programs	44	79
Department of Energy assessments	69	73
Vacation pay	77	74
Deferred fuel charges	29	49
Postretirement benefits	38	53
Work force reduction costs	48	56
Deferred income tax credits	(879)	(936)
Storm damage reserves	(32)	(23)
Other, net	114	98
Total	$1,270	$1,512

In the event that a portion of the operating companies' operations is no longer subject to the provisions of Statement No. 71, the companies would be required to write off related regulatory assets and liabilities. In addition, the operating companies would be required to determine any impairment to other assets, including plant, and write down the assets, if impaired, to their fair value

Revenues and Fuel Costs

The operating companies accrue revenues for service rendered but unbilled at the end of each fiscal period. Fuel costs are expensed as the fuel is used. The operating companies' electric rates include provisions to adjust billings for fluctuations in fuel and the energy component of purchased power costs. Revenues are adjusted for

differences between recoverable fuel costs and amounts actually recovered in current rates.

The operating companies have a diversified base of customers. No single customer or industry comprises 10 percent or more of revenues. In 1996, uncollectible accounts continued to average less than 1 percent of revenues.

Fuel expense includes the amortization of the cost of nuclear fuel and a charge, based on nuclear generation, for the permanent disposal of spent nuclear fuel. Total charges for nuclear fuel included in fuel expense amounted to $142 million in 1996, $140 million in 1995, and $152 million in 1994. Alabama Power and Georgia Power have contracts with the U.S. Department of Energy (DOE) that provide for the permanent disposal of spent nuclear fuel. Although disposal was scheduled to begin in 1998, the actual year this service will begin is uncertain. Sufficient storage capacity currently is available to permit operation into 2003 at Plant Hatch, into 2008 at Plant Vogtle, and into 2010 and 2013 at Plant Farley units 1 and 2, respectively. Activities for adding dry cast storage capacity at Plant Hatch by as early as 1999 are in progress.

Also, the Energy Policy Act of 1992 required the establishment in 1993 of a Uranium Enrichment Decontamination and Decommissioning Fund, which is to be funded in part by a special assessment on utilities with nuclear plants. This assessment is being paid over a 15-year period, which began in 1993. This fund will be used by the DOE for the decontamination and decommissioning of its nuclear fuel enrichment facilities. The law provides that utilities will recover these payments in the same manner as any other fuel expense. Alabama Power and Georgia Power -- based on its ownership interests -- estimate their respective remaining liability at December 31, 1996, under this law to be approximately $37 million and $30 million, respectively. These obligations are recorded in the Consolidated Balance Sheets.

Depreciation and Nuclear Decommissioning

Depreciation of the original cost of depreciable utility plant in service is provided primarily by using composite straight-line rates, which approximated 3.3 percent in 1996, 3.3 percent in 1995, and 3.2 percent in 1994. When property subject to depreciation is retired or otherwise disposed of in the normal course of business, its cost -- together with the cost of removal, less salvage -- is charged to the accumulated provision for depreciation. Minor items of property included in the original cost of the plant are retired when the related property unit is retired. Depreciation expense includes an amount for the expected costs of decommissioning nuclear facilities and removal of other facilities.

Georgia Power recorded additional depreciation of electric plant amounting to $24 million in 1996 and $6 million in 1995. See Note 3 under "Georgia Power Retail Accounting Order" for additional information.

In 1988, the Nuclear Regulatory Commission (NRC) adopted regulations requiring all licensees operating commercial power reactors to establish a plan for providing, with reasonable assurance, funds for decommissioning. Alabama Power and Georgia Power have external trust funds to comply with the NRC's regulations. Amounts previously recorded in internal reserves are being transferred into the external trust funds over periods approved by the respective state public service commissions. The NRC's minimum external funding requirements are based on a generic estimate of the cost to decommission the radioactive portions of a nuclear unit based on the size and type of reactor. Alabama Power and Georgia Power have filed plans with the NRC to ensure that -- over time -- the deposits and earnings of the external trust funds will provide the minimum funding amounts prescribed by the NRC.

Site study cost is the estimate to decommission a specific facility as of the site study year, and ultimate cost is the estimate to decommission a specific facility as of retirement date. The estimated costs of decommissioning

-- both site study costs and ultimate costs -- at December 31, 1996, for Alabama Power's Plant Farley and Georgia Power's ownership interests in plants Hatch and Vogtle were as follows:

	Plant Farley	Plant Hatch	Plant Vogtle
Site study basis (year)	1993	1994	1994
Decommissioning periods:			
Beginning year	2017	2014	2027
Completion year	2070	2027	2038
		(in millions)	
Site study costs:			
Radiated structures	$489	$294	$233
Non-radiated structures	89	41	52
Total	$578	$335	$285
Ultimate costs:			
Radiated structures	$1,504	$781	$1,018
Non-radiated structures	274	111	230
Total	$1,778	$892	$1,248

	Plant Farley	Plant Hatch	Plant Vogtle
		(in millions)	
Amount expensed in 1996	$18	$11	$9
Accumulated provisions:			
Balance in external trust funds	$149	$ 79	$51
Balance in internal reserves	47	27	13
Total	$196	$106	$64
Significant assumptions:			
Inflation rate	4.5%	4.4%	4.4%
Trust earning rate	7.0	6.0	6.0

Annual provisions for nuclear decommissioning are based on an annuity method as approved by the respective state public service commissions. All of Alabama Power's decommissioning costs are approved for ratemaking. For Georgia Power, only the costs to decommission the radioactive portion of the plants are included in cost of service. Alabama Power and Georgia Power expect their respective state public service commissions to periodically review and adjust, if necessary, the amounts collected in rates for the anticipated cost of decommissioning.

The decommissioning cost estimates are based on prompt dismantlement and removal of the plant from service. The actual decommissioning costs may vary from the above estimates because of changes in the assumed date of decommissioning, changes in NRC requirements, or changes in the assumptions used in making estimates.

Income Taxes

Southern Company uses the liability method of accounting for deferred income taxes and provides deferred income taxes for all significant income tax temporary differences. Investment tax credits utilized are deferred and amortized to income over the average lives of the related property.

Plant Vogtle Phase-In Plans

In 1987, 1989, and 1991, the Georgia Public Service Commission (GPSC) ordered that the allowed costs of Plant Vogtle, a two-unit nuclear facility of which Georgia Power owns 45.7 percent, be phased into rates. Each GPSC order called for recovery of deferred costs within 10 years. Under these plans, all allowed costs will be recovered by 1999.

Allowance for Funds Used During Construction (AFUDC)

AFUDC represents the estimated debt and equity costs of capital funds that are necessary to finance the construction of new facilities. While cash is not realized currently from such allowance, it increases the revenue requirement over the service life of the plant through a higher rate base and higher depreciation expense. The composite rates used by the operating companies to calculate AFUDC during the years 1994 through 1996 ranged from a before-income-tax rate of 5.1 percent to 9.8 percent. AFUDC, net of income tax, as a percent of consolidated net income was 1.4 percent in 1996, 1.6 percent in 1995, and 2.3 percent in 1994.

Utility Plant

Utility plant is stated at original cost less regulatory disallowances. Original cost includes: materials; labor; minor items of property; appropriate administrative and general costs; payroll-related costs such as taxes, pensions, and other benefits; and the estimated cost of funds used during construction. The cost of maintenance, repairs, and replacement of minor items of property is charged to maintenance expense. The cost of

replacements of property -- exclusive of minor items of property -- is charged to utility plant.

Cash and Cash Equivalents

For purposes of the Consolidated Statements of Cash Flows, temporary cash investments are considered cash equivalents. Temporary cash investments are securities with original maturities of 90 days or less.

Financial Instruments

Southern Company engages in ' ' e risk management activities for trading and non-trading purposes. Activities for non-trading purposes consist of transactions that are employed to mitigate Southern Company's risk related to interest rate and foreign currency fluctuations. Gains and losses arising from effective hedges of existing assets, liabilities, or firm commitments are deferred and recognized when the offsetting gains and losses are recognized on the related hedged items. At December 31, 1996, the credit risk for derivatives outstanding was not material to the financial statements. Southern Company regularly monitors its foreign currency exposure and ensures that hedge contract amounts do not exceed the amount of underlying exposures. At December 31, 1996, the status of outstanding non-trading related derivative contracts was as follows:

Type	Year Of Maturity or Termination	Notional Amount	Unrealized Gain (Loss)
		(in millions)	
Interest rate swaps:	1999-2011	$158	$(7)
	2001-2012	£500	$(13)
Cross currency swaps	2001-2006	£405	$(38)

£ - Denotes British pound sterling

During 1996, Southern Energy began trading activities by offering price risk management services related to commodities associated with the domestic energy industry -- electricity and natural gas. Southern Energy provides these services through a variety of financial instruments. These transactions are accounted for using the mark-to-market method of accounting. Under this method, unrealized gains or losses resulting from the impact of price movements are recognized as net gains or losses in the consolidated statements of income. The market prices used to value these transactions reflect management's best estimates considering various factors including: closing exchange quotations, over-the-counter quotations, liquidity of the position, time value, and volatility factors underlying the commitments. Net trading gains and losses were insignificant to the financial statements for the year ended December 31, 1996. Also, outstanding contracts at December 31, 1996, were not material to the financial statements.

South Western Electricity (SWEB)--a British distribution company owned by Southern Energy--has contracts to mitigate its exposure to volatility in the prices of electricity purchased through the wholesale electricity market. These contracts are in place to hedge a portion of electricity purchases of approximately 28 billion kilowatt-hours through the year 2008. This represents approximately two years of electricity purchases for SWEB based on current volumes. Accordingly, the gains or losses realized on such contracts are deferred and recognized as electricity is purchased. It is not possible to estimate the fair value of these contracts due to the absence of a trading market.

Other Southern Company financial instruments for which the carrying amount did not equal fair value at Decemb r 31 were as follows:

	Carrying Amount	Fair Value
	(in millions)	
Long-term debt:		
At December 31, 1996	**$7,975**	**$8,122**
At December 31, 1995	8,636	8,935
Preferred securities:		
At December 31, 1996	**422**	**427**
At December 31, 1995	100	114

The fair values for long-term debt and preferred securities were based on either closing market price or closing pri e of comparable instruments.

Materials and Supplies

Generally, materials and supplies include the cost of transmission, distribution, and generating plant materials. Materials are charged to inventory when purchased and then expensed or capitalized to plant, as appropriate, when installed

2. RETIREMENT BENEFITS

Pension Plan

The system companies have defined benefit, trusteed, pension plans that cover substantially all regular employees. Benefits are based on one of the following formulas: years of service and final average pay or years of service and a flat-dollar benefit. Primarily, the companies use the "entry age normal method with a frozen initial liability" actuarial method for funding purposes, subject to limitations under federal income tax regulations. Amounts funded to the pension trusts are primarily invested in equity and fixed-income securities. FASB Statement No. 87, Employers' Accounting for Pensions, requires use of the "projected unit credit" actuarial method for financial reporting purposes.

Postretirement Benefits

In the United States, Southern Company provides certain medical care and life insurance benefits for retired employees. Substantially all these employees may become eligible for such benefits when they retire. Trusts are funded to the extent deductible under federal income tax regulations or to the extent required by the operating companies' respective regulatory commissions. Amounts funded are primarily invested in debt and equity securities.

FASB Statement No. 106, Employers' Accounting for Postretirement Benefits Other Than Pensions, requires that medical care and life insurance benefits for retired employees be accounted for on an accrual basis using a specified actuarial method, "benefit/years-of-service." In October 1993, the GPSC ordered Georgia Power to phase in the adoption of Statement No. 106 to cost of service over a five-year period, whereby one-fifth of the additional costs was expensed in 1993 and the remaining costs were deferred. An additional one-fifth of the costs is being expensed each succeeding year until the costs are fully reflected in cost of service in 1997. The costs deferred during the five-year period will be amortized to expense over a 15-year period beginning in 1998. For the other operating companies, the cost of postretirement benefits is reflected in rates on a current basis.

Funded Status and Cost of Benefits

The following tables show actuarial results and assumptions for pension and postretirement insurance benefits as computed under the requirements of FASB Statement Nos. 87 and 106, respectively. The funded status of the plans at December 31 was as follows:

	Pension	
	1996	1995
	(in millions)	
Actuarial present value of benefit obligation:		
Vested benefits	**$2,730**	$2,643
Non-vested benefits	**119**	97
Accumulated benefit obligation	**2,849**	2,740
Additional amounts related to projected salary increases	**775**	705
Projected benefit obligation	**3,624**	3,445
Less:		
Fair value of plan assets	**5,212**	4,725
Unrecognized net gain	**(1,314)**	(1,025)
Unrecognized prior service cost	**135**	60
Unrecognized transition asset	**(114)**	(126)
Prepaid asset recognized in the Consolidated Balance Sheets	**$ 295**	$ 189

	Postretirement Benefits	
	1996	1995
	(in millions)	
Actuarial present value of benefit obligation:		
Retirees and dependents	**$409**	$394
Employees eligible to retire	**78**	63
Other employees	**383**	392
Accumulated benefit obligation	**870**	849
Less:		
Fair value of plan assets	**460**	205
Unrecognized net loss (gain)	**79**	85
Unrecognized prior service cost	**(5)**	(4)
Unrecognized transition obligation	**249**	292
Accrued liability recognized in the Consolidated Balance Sheets	**$267**	$271

In 1995, the system companies announced a cost sharing program for postretirement benefits. The program established limits on amounts the companies will pay to provide future retiree postretirement benefits. This change reduced the 1995 accumulated postretirement benefit obligation by approximately $186 million

The weighted average rates assumed in the actuarial calculations were:

	1996	1995	1994
Discount	7.8%	7.3%	8.0%
Annual salary increase	5.3	4.8	5.5
Long-term return on plan assets	8.5	8.5	8.5

An additional assumption used in measuring the accumulated postretirement benefit obligation was a weighted average medical care cost trend rate of 9.3 percent for 1996, decreasing gradually to 5.8 percent through the year 2005 and remaining at that level thereafter. An annual increase in the assumed medical care cost trend rate of 1 percent would increase the accumulated benefit obligation at December 31, 1996, by $77 million and the aggregate of the service and interest cost components of the net retiree cost by $8 million.

Components of the plans' net costs are shown below:

	Pension		
	1996	1995	1994
	(in millions)		
Benefits earned during the year	$ 99	$ 79	$ 77
Interest cost on projected benefit obligation	267	193	160
Actual (return) loss on plan assets	(564)	(730)	75
Net amortization and deferral	152	412	(351)
Net pension cost (income)	$ (46)	$ (46)	$ (39)

Of the above net pension income, $37 million in 1996, $30 million in 1995, and $29 million in 1994 were recorded in operating expenses, and the remainder was recorded in construction and other accounts.

	Postretirement Benefits		
	1996	1995	1994
	(in millions)		
Benefits earned during the year	$20	$ 28	$ 31
Interest cost on accumulated benefit obligation	60	67	64
Amortization of transition obligation	15	27	27
Actual (return) loss on plan assets	(17)	(23)	2
Net amortization and deferral	6	12	(10)
Net postretirement costs	$84	$ 111	$ 114

Of the above net postretirement costs, $64 million in 1996, $78 million in 1995, and $77 million in 1994 were charged to operating expenses. In addition, $3 million in 1996, $11 million in 1995, and $18 million in 1994 were deferred, and the remainder was charged to construction and other accounts.

Work Force Reduction Programs

The system companies have incurred additional costs for work force reduction programs. The costs related to these programs were $85 million, $42 million, and $112 million for the years 1996, 1995, and 1994, respectively. In addition, certain costs of these programs were deferred and are being amortized in accordance with regulatory treatment. The unamortized balance of these costs was $48 million at December 31, 1996.

3. LITIGATION AND REGULATORY MATTERS

Stockholder Suit Concluded

In April 1991, two Southern Company stockholders filed a derivative action suit in the U.S. District Court for the Southern District of Georgia against certain current and former directors and officers of Southern Company. The suit alleges violations of the Federal Racketeer Influenced and Corrupt Organizations Act (RICO) by officers and breaches of fiduciary duty and gross negligence by all defendants resulting from alleged fraudulent accounting for spare parts, illegal political campaign contributions, violations of federal securities laws involving misrepresentations and omissions in SEC filings, and concealment of the foregoing acts. The complaint sought damages -- including treble damages pursuant to RICO -- in an unspecified amount, which if awarded, would have been payable to Southern Company. The court ruled the plaintiffs had failed to present adequately their allegation that Southern Company board of directors' refusal of an earlier demand by the plaintiffs was wrongful. In April 1994, the U.S. Court of Appeals for the 11th Circuit reversed the dismissal and remanded the case to the trial court, finding that allegations by the plaintiffs created a reasonable doubt that the board validly exercised its business judgment in refusing the earlier demand. In June 1995, for the second time, the trial court dismissed the suit, and the plaintiffs appealed. A panel of the court of appeals in May 1996 affirmed the trial court's dismissal. The plaintiffs' request for a rehearing was denied. This matter is now concluded.

Alabama Power Appliance Warranty Litigation

In 1996, legal actions against Alabama Power were filed in several counties in Alabama charging Alabama Power with fraud and non-compliance with regulatory statutes relating to the offer, sale, and financing of "extended service contracts" in connection with the sale of electric appliances. Some of these suits were filed as class actions, while others were filed on behalf of multiple individual plaintiffs. The plaintiffs seek damages for an unspecified amount. Alabama Power has offered extended service agreements to its customers since January 1984, and approximately 175,000 extended service agreements could be involved in these proceedings. The final outcome of these cases cannot now be determined.

Georgia Power Potentially Responsible Party Status

In January 1995, Georgia Power and four other unrelated entities were notified by the Environmental Protection Agency (EPA) that they have been designated as potentially responsible parties under the Comprehensive Environmental Response, Compensation, and Liability Act with respect to a site in Brunswick, Georgia. As of December 31, 1996, Georgia Power had recorded approximately $5 million in expenses associated with the site. This represents Georgia Power's agreed upon share of removal and remedial investigation and feasibility study costs.

The final outcome of this matter cannot now be determined. However, based on the nature and extent of Georgia Power's activities relating to the site, management believes that the company's portion of any remaining remediation costs should not be material to the financial statements.

Georgia Power Investment in Rocky Mountain

In its 1985 financing order, the GPSC concluded that completion of the Rocky Mountain pumped storage hydroelectric plant in 1991 as then planned was not economically justifiable and reasonable and withheld authorization for Georgia Power to spend funds from approved securities issuances on that plant. In 1988, Georgia Power and Oglethorpe Power Corporation (OPC) entered into a joint ownership agreement for OPC to assume responsibility for the construction and operation of the plant. However, full recovery of Georgia Power's costs depends on the GPSC's treatment of the plant's costs and the disposition of the plant's capacity output. In June 1996, the GPSC initiated a review of this plant. In the event the GPSC does not allow full recovery of the plant costs, then the portion not allowed may have to be written off. In 1995, the plant went into commercial operation. At December 31, 1996, Georgia Power's net investment in the plant was approximately $175 million.

The final outcome of this matter cannot now be determined. Accordingly, no provision for any write-down of the investment in the plant has been made.

FERC Reviews Equity Returns

In May 1991, the FERC ordered that hearings be conducted concerning the reasonableness of the operating companies' wholesale rate schedules and contracts that have a return on common equity of 13.75 percent or greater. The contracts that could be affected by the hearings include substantially all of the transmission, unit power, long-term power, and other similar contracts.

In August 1992, a FERC administrative law judge issued an opinion that changes in rate schedules and contracts were not necessary and that the FERC staff failed to show how any changes were in the public interest. The FERC staff has filed exceptions to the administrative law judge's opinion, and the matter remains pending before the FERC.

In August 1994, the FERC instituted another proceeding based on substantially the same issues as in the 1991 proceeding. In November 1995, a FERC administrative law judge issued an opinion that the FERC staff failed to meet its burden of proof, and therefore, no change in the equity return was necessary. The FERC staff has filed exceptions to the administrative law judge's opinion, and the matter is pending before the FERC.

If the rates of return on common equity recommended by the FERC staff were applied to all of the schedules and contracts involved in both proceedings--as well as to certain other contracts that reference these proceedings in determining return on common equity--and if refunds were ordered, the amount of refunds could range up to approximately $160 million at December 31, 1996. However, management believes that rates are not excessive and that refunds are not justified.

Alabama Power Rate Adjustment Procedures

In November 1982, the Alabama Public Service Commission (APSC) adopted rates that provide for periodic adjustments based upon Alabama Power's earned return on end-of-period retail common equity. The rates also provide for adjustments to recognize the placing of new generating facilities in retail service. Both increases and decreases have been placed into effect since the adoption of these rates. The rate adjustment procedures allow a return on common equity range of 13.0 percent to 14.5 percent and limit increases or decreases in rates to 4 percent in any calendar year.

In June 1995, the APSC issued a rate order granting Alabama Power's request for gradual adjustments to move toward parity among customer classes. This order also calls for a moratorium on any periodic retail rate increases (but not decreases) until July 2001.

In December 1995, the APSC issued an order authorizing Alabama Power to reduce balance sheet items -- such as plant and deferred charges -- at any time the company's actual base rate revenues exceed the budgeted revenues.

The ratemaking procedures will remain in effect until the APSC votes to modify or discontinue them.

Georgia Power Retail Accounting Order

In February 1996, the GPSC approved an accounting order, which will be in effect for three years beginning January 1, 1996. Under the accounting order, Georgia Power's earnings are evaluated against a retail return on common equity range of 10 percent to 12.5 percent. Earnings in excess of 12.5 percent will be used to accelerate the amortization of regulatory assets or to accelerate the depreciation of electric plant. At its option, Georgia Power may also accelerate amortization or depreciation of assets while within the range allowed on common equity. Georgia Power is required to absorb cost increases of approximately $29 million annually during the three-year period, including $14 million annually of accelerated depreciation of electric plant. Under the accounting order, Georgia Power will not file for a general base rate increase unless its projected retail return on common equity falls below 10 percent. On July 1, 1998, Georgia Power is required to file a general rate case. In response, the GPSC would be expected to either continue the provisions of the accounting order or adopt new ones.

A consumer group appealed the GPSC's decision to the Superior Court of Fulton County, Georgia. In 1996, the court ruled that statutory requirements applicable to rates cases were not followed and remanded the matter to the GPSC. Both the GPSC and Georgia Power appealed the court's decision to the Georgia Court of Appeals. Georgia Power is continuing to record expenses in accordance with the accounting order pending the outcome of this matter.

4. CONSTRUCTION PROGRAM

The system companies are engaged in continuous construction programs, currently estimated to total some $1.4 billion in 1997, $1.3 billion in 1998, and $1.4 billion in 1999. The construction programs are subject to periodic review and revision, and actual construction costs may vary from the above estimates because of numerous factors. These factors include: changes in business conditions; revised load growth estimates; changes in environmental regulations; changes in existing nuclear plants to meet new regulatory requirements; increasing costs of labor, equipment, and materials; and cost of capital. At December 31, 1996, significant purchase commitments were outstanding in connection with the construction program. The operating companies do not have any traditional baseload generating plants under construction. However, significant construction will continue related to transmission and distribution facilities and the upgrading of generating plants.

See Management's Discussion and Analysis under "Environmental Matters" for information on the impact of the Clean Air Act Amendments of 1990 and other environmental matters.

5. FINANCING, INVESTMENTS, AND COMMITMENTS

General

Southern Company plans to issue equity capital in 199 The amount and timing of additional equity capital to be raised in 1997 -- as well as in subsequent years -- will be contingent on Southern Company's investment opportunities. Equity capital can be provided from any combination of public offerings, private placements, or the company's stock plans.

The operating companies' construction programs are expected to be financed primarily from internal sources. Short-term debt is often utilized and the amounts available are discussed below. The companies may issue

additional long-term debt and preferred securities primarily for the purposes of debt maturities and for redeeming higher-cost securities if market conditions permit.

Bank Credit Arrangements

At the beginning of 1997, unused credit arrangements with banks totaled $4.1 billion, of which approximately $1.7 billion expires at various times during 1997 and 1998; $1.0 billion in syndicated credit arrangements expires April 19, 2001; and the remaining $1.4 billion is under revolving credit agreements.

The revolving credit agreements are as follows:

Company	Amount of Credit		Expires
	Total	Unused	
	(in millions)		
Georgia Power	$ 60	$ 49	5-01-99
Mississippi Power	40	20	12-01-99
Savannah Electric	20	15	12-31-98
Southern Company	300	300	7-01-99
Southern Company	300	300	11-30-99
Southern Energy	520	215	11-05-99
Southern Energy	283	64	Various
Combined	400	400	6-30-99
Total	$1,923	$1,363	

Combined unused revolving credit agreements of $400 million expiring in 1999 are with several banks that provide Southern Company, Alabama Power, and Georgia Power up to $100 million, $135 million, and $165 million, respectively, for available credit to provide liquidity support for commercial paper programs.

Most of the revolving credit agreements allow short-term borrowings to be converted into term loans, payable in 12 equal quarterly installments, with the first installment due at the end of the first calendar quarter after the applicable termination date or at an earlier date at the companies' option. In addition, these agreements require payment of commitment fees based on the unused portions of the commitments or the maintenance of compensating balances with the banks.

Southern Company's $1.0 billion syndicated credit arrangement allows for revolving loans and competitive bid loans, provided that the sum of the aggregate amount of revolving loans outstanding plus the aggregate amount of competitive bid loans outstanding shall not exceed the revolving loan commitment of $1.0 billion. This agreement requires payment of commitment fees based on the unused portion of the commitments. Southern Company also pays an agent fee in connection with this arrangement.

In connection with all other lines of credit, the companies have the option of paying fees or maintaining compensating balances, which are substantially all the cash of the companies except for daily working funds and similar items. These balances are not legally restricted from withdrawal.

A portion of the $4.1 billion unused credit arrangements with banks -- discussed earlier -- is allocated to provide liquidity support to the companies' variable rate pollution control bonds. At December 31, 1996, the amount of credit lines allocated was $829 million.

In addition, the companies from time to time borrow under uncommitted lines of credit with banks and in the case of Southern Company, Alabama Power, and Georgia Power, through commercial paper programs that have the liquidity support of committed bank credit arrangements.

Assets Subject to Lien

Each of Southern Company's subsidiaries is organized as a legal entity, separate, and apart from Southern Company and its other subsidiaries. The subsidiary companies' mortgages, which secure the first mortgage bonds issued by the companies, constitute a direct first lien on substantially all of the companies' respective fixed property and franchises. There are no agreements or other arrangements among the subsidiary companies under which the assets of one company have been pledged or otherwise made available to satisfy obligations of Southern Company or any of its subsidiaries.

Fuel and Purchased Power Commitments

To supply a portion of the fuel requirements of the generating plants, Southern Company has entered into various long-term commitments for the procurement of fossil and nuclear fuel. In most cases, these contracts contain provisions for price escalations, minimum

purchase levels, and other financial commitments. Also, Southern Company has entered into various long-term commitments for the purchase of electricity. Total estimated long-term obligations at December 31, 1996, were as follows:

Year	Fuel	Purchased Power
	(in millions)	
1997	$ 1,908	$ 553
1998	1,774	249
1999	1,251	162
2000	794	167
2001	748	169
2002 and thereafter	4,797	1,845
Total commitments	$11,172	$3,145

Operating Leases

Southern Company has operating lease agreements with various terms and expiration dates. These expenses totaled $23 million, $17 million, and $15 million, for 1996, 1995, and 1994, respectively. At December 31, 1996, estimated minimum rental commitments for noncancelable operating leases were as follows:

Year	Amounts
	(in millions)
1997	$ 25
1998	24
1999	25
2000	24
2001	23
2002 and thereafter	333
Total minimum payments	$454

6. FACILITY SALES AND JOINT OWNERSHIP AGREEMENTS

In 1992, Alabama Power sold an undivided interest in units 1 and 2 of Plant Miller and related facilities to Alabama Electric Cooperative, Inc.

Since 1975, Georgia Power has sold undivided interests in plants Vogtle, Hatch, Scherer, and Wansley in varying amounts, together with transmission facilities, to OPC, the Municipal Electric Authority of Georgia, and the city of Dalton, Georgia. In addition, Georgia Power has joint ownership agreements with OPC for the Rocky Mountain project and with Florida Power Corporation (FPC) for a combustion turbine unit at Intercession City, Florida.

At December 31, 1996, Alabama Power's and Georgia Power's ownership and investment (exclusive of nuclear fuel) in jointly owned facilities with the above entities were as follows:

	Jointly Owned Facilities		
	Percent Ownership	Amount of Investment	Accumulated Depreciation
		(in millions)	
Plant Vogtle (nuclear)	45.7%	$3,299	$843
Plant Hatch (nuclear)	50.1	854	436
Plant Miller (coal) Units 1 and 2	91.8	714	296
Plant Scherer (coal) Units 1 and 2	8.4	112	42
Plant Wansley (coal)	53.5	301	134
Rocky Mountain (pumped storage)	25.4	202	27

In 1994, Georgia Power and FPC entered into a joint ownership agreement regarding the Intercession City combustion turbine unit. The unit went into commercial operation in early 1997 and will be operated and maintained by FPC. Georgia Power has an approximate interest of 33 percent in the 150-megawatt unit, with retention of 100 percent of the capacity from June through September. FPC has the capacity the remainder of the year. Georgia Power's investment in the unit is $13 million.

Alabama Power and Georgia Power have contracted to operate and maintain the jointly owned facilities -- except for the Rocky Mountain project and Intercession City -- as agents for their respective co-owners. The companies' proportionate share of their plant operating expenses is included in the corresponding operating expenses in the Consolidated Statements of Income.

7. LONG-TERM POWER SALES AGREEMENTS

The operating companies have long-term contractual agreements for the sale of capacity and energy to certain non-affiliated utilities located outside the system's service area. These agreements -- expiring at various dates discussed below -- are firm and pertain to capacity related to specific generating units. Because the energy is generally sold at cost under these agreements, profitability is primarily affected by revenues from capacity sales. The capacity revenues have been as follows:

Year	Unit Power	Other Long-Term	Total
		(in millions)	
1996	**$217**	**$ -**	**$217**
1995	237	-	237
1994	257	19	276

Unit power from specific generating plants is currently being sold to Florida Power & Light Company (FP&L), FPC, Jacksonville Electric Authority (JEA), and the city of Tallahassee, Florida. Under these agreements, approximately 1,600 megawatts of capacity is scheduled to be sold annually through 1999. Thereafter, these sales will decline to some 1,500 megawatts and remain at that approximate level -- unless reduced by FP&L, FPC, and JEA for the periods after 1999 with a minimum of three years notice -- until the expiration of the contracts in 2010.

8. INCOME TAXES

At December 31, 1996, the tax- related regulatory assets and liabilities were $1.3 billion and $879 million, respectively. These assets are attributable to tax benefits flowed through to customers in prior years and to taxes applicable to capitalized AFUDC. These liabilities are attributable to deferred taxes previously recognized at rates higher than current enacted tax law and to unamortized investment tax credits.

Details of the federal and state income tax provisions are as follows:

	1996	1995	1994
		(in millions)	
Total provision for income taxes			
Federal --			
Currently payable	$569	$567	$598
Deferred -- current year	116	184	67
-- reversal of prior years	(74)	(111)	(75)
Deferred investment tax credits	-	1	-
	611	641	590
State --			
Currently payable	82	90	86
Deferred -- current year	23	26	15
-- reversal of prior years	(9)	(12)	(11)
	96	104	90
International	50	24	5
Total	757	769	685
Less income taxes charged (credited) to other income	10	(36)	(26)
Total income taxes charged to operations	$747	$805	$711

The tax effects of temporary differences between the carrying amounts of assets and liabilities in the financial statements and their respective tax bases, which give rise to deferred tax assets and liabilities, are as follows:

	1996	1995
	(in millions)	
Deferred tax liabilities:		
Accelerated depreciation	$2,981	$2,795
Property basis differences	2,154	2,175
Deferred plant costs	54	100
Other	308	247
Total	5,497	5,317
Deferred tax assets		
Federal effect of state deferred taxes	110	107
Other property basis differences	256	273
Deferred costs	139	118
Pension and other benefits	68	66
Other	214	192
Total	784	756
Net deferred tax liabilities	4,713	4,561
Portion included in current assets, net	25	50
Accumulated deferred income taxes in the Consolidated Balance Sheet	$4,738	$4,611

Deferred investment tax credits are amortized over the life of the related property with such amortization normally applied as a credit to reduce depreciation in the Consolidated Statements of Income. Credits amortized in this manner amounted to $33 million in 1996, $38 million in 1995, and $42 million in 1994. At December 31, 1996, all investment tax credits available to reduce federal income taxes payable had been utilized.

A reconciliation of the federal statutory income tax rate to the effective income tax rate is as follows:

	1996	1995	1994
Federal statutory rate	35.0%	35.0%	35.0%
State income tax, net of federal deduction	3.2	3.4	3.3
Non-deductible book depreciation	1.8	1.6	1.8
Difference in prior years' deferred and current tax rate	(1.0)	(1.1)	(1.5)
Other	(0.5)	0.3	0.3
Effective income tax rate	38.5%	39.2%	38.9%

Southern Company files a consolidated federal income tax return. Under a joint consolidated income tax agreement, each subsidiary's current and deferred tax expense is computed on a stand-alone basis. Tax benefits from losses of the parent company are allocated to each subsidiary based on the ratio of taxable income to total consolidated taxable income

9. COMMON STOCK

Shares Reserved

At December 31, 1996, a total of 59 million shares was reserved for issuance pursuant to the Southern Investment Plan, the Employee Savings Plan, the Outside Directors Stock Plan, and the Executive Stock Option Plan.

Executive Stock Option Plan

Southern Company's Executive Stock Option Plan authorizes the granting of non-qualified stock options to key employees of Southern Company, including officers As of December 31, 1996, 249 current and former employees participated in the plan. The maximum number of shares of common stock that may be issued under the Executive Stock Option Plan may not exceed 6 million. The prices of options granted to date have been at the fair market value of the shares on the dates of grant Options granted to date become exercisable pro rata over a maximum period of four years from the date of grant Options outstanding will expire no later than 10 years after the date of grant, unless terminated earlier by the board of directors in accordance with the plan Stock option activity in 1995 and 1996 is summarized below

	Shares Subject To Option	Average Option Price Per Share
Balance at December 31, 1994	1,736,604	$17.39
Options granted	1,161,174	21.63
Options canceled	(8,088)	21.63
Options exercised	(413,391)	14.34
Balance at December 31, 1995	2,476,299	19.87
Options granted	1,460,731	23.00
Options canceled	(16,862)	22.23
Options exercised	(97,988)	17.94
Balance at December 31, 1996	3,822,180	$21.11
Shares reserved for future grants		
At December 31, 1994	3,268,001	
At December 31, 1995	2,114,915	
At December 31, 1996	671,046	
Options exercisable:		
At December 31, 1995	831,227	
At December 31, 1996	1,276,846	

The pro forma impact on net income of fair value accounting for options granted -- as required by FASB Statement No 123, Accounting for Stock-Based Compensation -- is not significant to the financial statements

Common Stock Dividend Restrictions

The income of Southern Company is derived primarily from equity in earnings of its subsidiaries At December 31, 1996, consolidated retained earnings included $3.3 billion of undistributed retained earnings of the subsidiaries Of this amount, $2.0 billion was restricted against the payment by the subsidiary companies of cash dividends on common stock under terms of bond indentures or charters

10. PREFERRED SECURITIES

The subsidiaries obligated mandatorily redeemable preferred securities were issued by special purpose financing entities Substantially all the assets of these entities are $100 million and $335 million aggregate principal amount of Alabama Power or Georgia Power junior subordinated debt, respectively Alabama Power and Georgia Power each consider that the mechanisms and obligations relating to the preferred securities issued

for its benefit, taken together, constitute a full and unconditional guarantee, by the respective companies of the issuing entities' payment obligations with respect to such preferred securities.

11. OTHER LONG-TERM DEBT

Details of other long-term debt at December 31 are as follows:

	1996	1995
	(in millions)	
Obligations incurred in connection with the sale by public authorities of tax-exempt pollution control revenue bonds:		
Collateralized --		
4.375% to 9.375% due 2000-2026	$1,403	$1,466
Variable rates (3.2% to 5.25% at 1/1/97) due 2011-2025	639	639
Non-collateralized --		
7.25% due 2003	1	1
6.75% to 8.375% due 2015-2020	200	277
5.8% due 2022	10	10
Variable rates (4.65% to 5.25% at 1/1/97) due 2021-2026	265	132
	2,518	2,525
Capitalized lease obligations	151	147
Notes payable:		
4.62% to 10% due 1996-1999	230	252
6.375% to 11% due 2000-2008	864	240
Adjustable rates (4% to 13% at 1/1/97) due 1996-1999	210	190
Adjustable rates (5.775% to 7.5625% at 1/1/97) due 2000-2002	96	938
Adjustable rate (7.38% at 1/1/97) due 2004-2006	15	111
	1,415	1,731
Total	$4,084	$4,403

With respect to the collateralized pollution control revenue bonds, the operating companies have authenticated and delivered to trustees a like principal amount of first mortgage bonds as security for obligations under installment sale or loan agreements. The principal and interest on the first mortgage bonds will be payable only in the event of default under the agreements.

Sinking fund requirements and/or serial maturities through 2001 applicable to other long-term debt are as follows: $79 million in 1997; $96 million in 1998; $279 million in 1999; $160 million in 2000; and $205 million in 2001.

12. LONG-TERM DEBT DUE WITHIN ONE YEAR

A summary of the improvement fund requirements and scheduled maturities and redemptions of long-term debt due within one year at December 31 is as follows:

	1996	1995
	(in millions)	
Bond improvement fund requirements	$ 40	$ 43
Less:		
Portion to be satisfied by certifying property additions	4	18
Cash sinking fund requirements	36	25
First mortgage bond maturities and redemptions	76	220
Other long-term debt maturities (Note 11)	79	264
Total	$191	$509

The first mortgage bond improvement (sinking) fund requirements amount to 1 percent of each outstanding series of bonds authenticated under the indentures prior to January 1 of each year, other than those issued to collateralize pollution control and other obligations. The requirements may be satisfied by depositing cash or reacquiring bonds, or by pledging additional property equal to 166 2/3 percent of such requirements.

13. NUCLEAR INSURANCE

Under the Price-Anderson Amendments Act of 1988, Alabama Power and Georgia Power maintain agreements of indemnity with the NRC that, together with private insurance, cover third-party liability arising from any nuclear incident occurring at the companies' nuclear power plants. The act provides funds up to $8.9 billion for public liability claims that could arise from a single nuclear incident. Each nuclear plant is insured against this liability to a maximum of $200 million by private insurance, with the remaining coverage provided by a mandatory program of deferred premiums that could be assessed, after a nuclear incident, against all owners of nuclear reactors. A company could be assessed up to $79 million per incident for each licensed reactor it operates, but not more than an aggregate of $10 million per incident to be paid in a calendar year for each reactor. Such maximum assessment, excluding any applicable state premium taxes, for Alabama Power and Georgia Power -- based

on its ownership and Leyback interests -- is $159 million and $162 million, respectively, per incident, but not more than an aggregate of $20 million per company to be paid for each incident in any one year.

Alabama Power and Georgia Power are members of Nuclear Mutual Limited (NML), a mutual insurer established to provide property damage insurance in an amount up to $500 million for members' nuclear generating facilities. The members are subject to a retrospective premium assessment in the event that losses exceed accumulated reserve funds. Alabama Power's and Georgia Power's maximum annual assessments are limited to $9 million and $11 million, respectively, under current policies.

Additionally, both companies have policies that currently provide decontamination, excess property insurance, and premature decommissioning coverage up to $2.25 billion for losses in excess of the $500 million NML coverage. This excess insurance is provided by Nuclear Electric Insurance Limited (NEIL), a mutual insurance company.

NEIL also covers the additional costs that would be incurred in obtaining replacement power during a prolonged accidental outage at a member's nuclear plant. Members can be insured against increased costs of replacement power in an amount up to $3.5 million per week -- starting 21 weeks after the outage -- for one year and up to $2.8 million per week for the second and third years.

Under each of the NEIL policies, members are subject to assessments if losses each year exceed the accumulated funds available to the insurer under that policy. The maximum annual assessments under current policies for Alabama Power and Georgia Power for excess property damage would be $15 million and $16 million, respectively. The maximum replacement power assessments are $8 million for Alabama Power and $12 million for Georgia Power.

For all on-site property damage insurance policies for commercial nuclear power plants, the NRC requires that the proceeds of such policies issued or renewed on or after April 2, 1991, shall be dedicated first for the sole purpose of placing the reactor in a safe and stable condition after an accident. Any remaining proceeds are to be applied next toward the costs of decontamination and debris removal operations ordered by the NRC, and any further remaining proceeds are to be paid either to the company or to its bond trustees as may be appropriate under the policies and applicable trust indentures.

Alabama Power and Georgia Power participate in an insurance program for nuclear workers that provides coverage for worker tort claims filed for bodily injury caused at commercial nuclear power plants. In the event that claims for this insurance exceed the accumulated reserve funds, Alabama Power and Georgia Power could be subject to a maximum total assessment of approximately $6 million each.

All retrospective assessments -- whether generated for liability, property, or replacement power -- may be subject to applicable state premium taxes.

14. ACQUISITIONS

In 1995, Southern Energy acquired SWEB for approximately $1.8 billion. This British utility distributes electricity to some 1.3 million customers.

The acquisition has been accounted for under the purchase method of accounting. The acquisition cost exceeded the fair market value of net assets by $287 million. This amount is considered goodwill and is being amortized on a straight-line basis over 40 years. A preliminary estimate of $333 million of goodwill was originally reported and later revised in 1996.

SWEB has been included in the consolidated financial statements since September 1995. The following unaudited pro forma results of operations for the years 1995 and 1994 have been prepared assuming the acquisition of SWEB, effective January 1, 1994, and assuming 100 percent short-term debt financing. The proforma results are not necessarily indicative of the actual results that would have been realized had the acquisition occurred on the assumed date, nor are they necessarily indicative of future results. Pro forma operating results are for information purposes only and are as follows:

	1995		1994	
	As Reported	Pro Forma	As Reported	Pro Forma
Operating revenues (in millions)	$9,180	$10,013	$8,297	$9,493
Consolidated net income (in millions)	$1,103	$1,144	$989	$1,053
Earnings per share	$1.66	$1.72	$1.52	$1.62

On January 29, 1997, Southern Energy completed the acquisition of an 80 percent interest in Consolidated Electric Power Asia (CEPA) for a total net investment of some $2.1 billion. CEPA is the largest independent power producer in Asia. CEPA is not included in Southern Company's 1996 consolidated financial statements.

15. SEGMENT INFORMATION

Southern Company's principal business segment -- or its traditional core business -- is the five electric utility operating companies, which provide electric service in four southeastern states. The other reportable business segment is Southern Energy, which owns and operates power production and delivery facilities in the United States and various international markets. Financial data for business segments and geographic areas are as follows:

Business Segments

Year	Operating Revenues	Operating Income	Total Assets	Gross Property Additions	Depreciation and Amortization
			(in millions)		
1996					
Traditional core business	**$ 8,675**	**$1,678**	**$25,368**	**$1,064**	**$1,081**
Southern Energy	**1,683**	**176**	**4,924**	**165**	**120**
Consolidated	**$10,358**	**$1,854**	**$30,292**	**$1,229**	**$1,201**
1995					
Traditional core business	$8,537	$1,781	$25,500	$1,265	$1,075
Southern Energy	643	105	5,022	136	59
Consolidated	$9,180	$1,886	$30,522	$1,401	$1,134
1994					
Traditional core business	$8,112	$1,678	$25,466	$1,529	$1,026
Southern Energy	185	37	1,576	7	24
Consolidated	$8,297	$1,715	$27,042	$1,536	$1,050

Geographic Areas

Year	Operating Revenues	Operating Income	Total Assets	Gross Property Additions	Depreciation and Amortization
			(in millions)		
1996					
Domestic	**$ 8,836**	**$1,713**	**$25,869**	**$1,072**	**$1,094**
International:					
Europe	**1,311**	**141**	**2,966**	**105**	**68**
Other	**211**	**-**	**1,457**	**52**	**39**
Total	**$10,358**	**$1,854**	**$30,292**	**$1,229**	**$1,201**
1995					
Domestic	$8,619	$1,813	$25,995	$1,278	$1,087
International:					
Europe	372	38	3,385	33	16
Other	189	35	1,142	90	31
Total	$9,180	$1,886	$30,522	$1,401	$1,134
1994					
Domestic	$8,116	$1,679	$25,875	$1,531	$1,028
International:					
Europe	-	-	-	-	-
Other	181	36	1,167	5	22
Total	$8,297	$1,715	$27,042	$1,536	$1,050

16. QUARTERLY FINANCIAL INFORMATION (Unaudited)

Summarized quarterly financial data for 1996 and 1995 are as follows:

Quarter Ended	Operating Revenues	Operating Income	Consolidated Net Income	Per Common Share		Price Range	
				Earnings	Dividends	High	Low
		(in millions)					
March 1996	**$2,416**	**$418**	**$233**	**$0.35**	**$0.315**	**25 7/8**	**22 3/8**
June 1996	**2,538**	**468**	**287**	**0.43**	**0.315**	**24 5/8**	**21 1/4**
September 1996	**2,917**	**684**	**468**	**0.69**	**0.315**	**24 5/8**	**21 3/4**
December 1996	**2,487**	**284**	**159**	**0.21**	**0.315**	**23 1/8**	**21 1/8**
March 1995	$1,929	$385	$206	$0.31	$0.305	21 1/2	19 3/8
June 1995	2,184	454	268	0.40	0.305	22 3/8	20 1/8
September 1995	2,759	673	469	0.71	0.305	24	21 1/8
December 1995	2,308	374	160	0.24	0.305	25	22 3/4

The company's business is influenced by seasonal weather conditions.

SELECTED CONSOLIDATED FINANCIAL AND OPERATING DATA 1986 - 1996

Southern Company and Subsidiary Companies 1996 Annual Report

	1996	1995	1994
Operating Revenues (in millions)	$10,358	$9,180	$8,297
Consolidated Net Income (in millions)	$1,127	$1,103	$989
Earnings Per Share of Common Stock	$1.68	$1.66	$1.52
Cash Dividends Paid Per Share of Common Stock	$1.26	$1.22	$1.18
Return on Average Common Equity (percent)	12.53	13.01	12.47
Total Assets (in millions)	$30,297	$30,522	$27,042
Gross Property Additions (in millions)	$1,229	$1,401	$1,536
Capitalization (in millions):			
Common stock equity	$9,216	$8,772	$8,186
Preferred stock and securities	1,402	1,432	1,432
Long-term debt	7,935	8,274	7,593
Total excluding amounts due within one year	$18,553	$18,478	$17,211
Capitalization Ratios (percent):			
Common stock equity	49.7	47.5	47.6
Preferred stock and securities	7.6	7.7	8.3
Long-term debt	42.7	44.8	44.1
Total excluding amounts due within one year	100.0	100.0	100.0
Other Common Stock Data:			
Book value per share (year-end)	$13.61	$13.10	$12.47
Market price per share:			
High	25 7/8	25	22
Low	21 1/8	19 3/8	17
Close	22 5/8	24 5/8	20
Market-to-book ratio (year-end) (percent)	166.2	188.0	160.4
Price-earnings ratio (year-end) (times)	13.5	14.8	13.2
Dividends paid (in millions)	$846	$811	$766
Dividend yield (year-end) (percent)	5.6	5.0	5.9
Dividend payout ratio (percent)	75.1	73.5	77.5
Cash coverage of dividends (year-end) (times)	2.9	2.9	2.7
Proceeds from sales of stock (in millions)	$171	$277	$279
Shares outstanding (in thousands):			
Average	672,590	665,064	649,927
Year-end	677,036	669,543	656,528
Stockholders of record (year-end)	215,246	225,739	234,927
First Mortgage Bonds (in millions):			
Issued	$85	$375	$185
Retired	426	538	241
Preferred Stock and Securities (in millions)			
Issued	$322	$--	$100
Retired	179	1	1
Traditional Core Business Customers (year-end) (in thousands)			
Residential	3,157	3,100	3,046
Commercial	464	450	439
Industrial	17	17	17
Other	5	5	5
Total	3,643	3,572	3,507
Employees (year-end):			
Traditional core business	25,034	26,452	27,480
Southern Energy	4,212	5,130	1,400
Total	29,246	31,882	28,880

1993	1992	1991	1990	1989	1988	1987	1986
$8,489	$8,073	$8,050	$8,053	$7,620	$7,287	$7,204	$7,033
$1,002	$953	$876	$604	$846	$846	$577	$903
$1.57	$1.51	$1.39	$0.96	$1.34	$1.36	$0.96	$1.56
$1.14	$1.10	$1.07	$1.07	$1.07	$1.07	$1.07	$1.0325
13.43	13.42	12.74	8.85	12.49	13.03	9.27	15.61
$25,911	$20,038	$19,863	$19,955	$20,092	$19,731	$19,518	$18,483
$1,441	$1,105	$1,123	$1,185	$1,346	$1,754	$1,853	$2,367
$7,684	$7,234	$6,976	$6,783	$6,861	$6,686	$6,307	$6,133
1,333	1,359	1,3	1,358	1,400	1,465	1,363	1,392
7,412	7,241	7,992	8,458	8,575	8,433	8,333	7,812
$16,429	$15,834	$16,301	$16,599	$16,836	$16,584	$16,003	$15,337
46.8	45.7	42.8	40.9	40.8	40.3	39.4	40.0
8.1	8.6	8.2	8.2	8.3	8.8	8.5	9.1
45.1	45.7	49.0	50.9	50.9	50.9	52.1	50.9
100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
$11.96	$11.43	$11.05	$10.74	$10.87	$10.60	$10.28	$10.35
23 5/8	19 1/2	17 3/8	14 5/8	14 7/8	12 1/8	14 1/2	13 5/8
18 3/8	15 1/8	12 7/8	11 1/2	11	10 1/8	8 7/8	10 1/8
22	19 1/4	17 1/8	13 7/8	14 1/2	11 1/8	11 1/8	12 5/8
183.9	168.4	155.5	129.7	134.0	105.5	108.8	122.5
14.0	12.7	12.4	14.6	10.9	8.2	11.7	8.2
$726	$695	$676	$676	$675	$661	$628	$583
5.2	5.7	6.2	7.7	7.3	9.6	9.6	8.4
72.4	72.9	77.1	111.8	79.8	78.1	108.9	64.6
2.9	2.8	2.5	2.8	2.6	2.3	2.0	2.7
$204	$30	$--	$--	$4	$194	$247	$379
637,319	631,844	631,307	631,307	631,303	622,292	601,390	580,252
642,662	632,917	631,307	631,307	631,307	630,898	613,565	592,364
237,105	247,378	254,568	263,046	273,751	290,725	296,079	297,302
$2,185	$1,815	$380	$300	$280	$335	$700	$735
2,178	2,575	881	146	201	273	369	875
$426	$410	$100	$--	$--	$120	$125	$100
516	326	125	96	21	10	160	53
2,996	2,950	2,903	2,865	2,824	2,781	2,733	2,675
427	414	403	396	392	384	374	362
18	18	18	18	18	18	18	17
4	4	4	4	4	4	4	4
3,445	3,386	3,328	3,283	3,238	3,187	3,129	3,058
28,516	28,872	30,144	30,087	30,368	32,366	32,557	32,321
745	213	258	176	162	157	55	37
29,261	29,085	30,402	30,263	30,530	32,523	32,612	32,358

	1996	1995	1994
Operating Revenues (in millions):			
Residential	**$2,894**	$2,840	$2,560
Commercial	**2,559**	2,485	2,357
Industrial	**2,136**	2,206	2,162
Other	**76**	72	70
Total retail	**7,665**	7,603	7,149
Sales for resale within service area	**409**	399	360
Sales for resale outside service area	**429**	415	505
Total revenues from sales of electricity	**8,503**	8,417	8,014
Other revenues	**1,855**	763	283
Total	**$10,358**	$9,180	$8,297
Kilowatt-Hour Sales (in millions):			
Residential	**40,117**	39,147	35,856
Commercial	**37,993**	35,938	34,080
Industrial	**52,798**	51,644	50,311
Other	**911**	863	844
Total retail	**131,819**	127,592	121,071
Sales for resale within service area	**10,935**	9,472	8,151
Sales for resale outside service area	**10,777**	9,143	10,769
Total	**153,531**	146,207	139,991
Average Revenue Per Kilowatt-Hour (cents):			
Residential	**7.21**	7.25	7.14
Commercial	**6.74**	6.91	6.92
Industrial	**4.04**	4.27	4.30
Total retail	**5.81**	5.96	5.90
Sales for resale	**3.86**	4.38	4.57
Total sales	**5.54**	5.76	5.72
Average Annual Kilowatt-Hour Use Per Residential Customer	**12,824**	12,722	11,851
Average Annual Revenue Per Residential Customer	**$925.12**	$922.83	$846.48
Plant Nameplate Capacity Ratings (year-end) (megawatts)	**31,076**	30,733	29,932
Maximum Peak-Hour Demand (megawatts):			
Winter	**22,631**	21,422	22,254
Summer	**27,190**	27,420	24,546
System Reserve Margin (at peak) (percent)	**14.0**	9.4	19.3
Annual Load Factor (percent)	**62.3**	59.5	63.5
Plant Availability (percent):			
Fossil-steam	**86.4**	86.7	85.2
Nuclear	**89.7**	88.3	89.8
Source of Energy Supply (percent)			
Coal	**73.3**	72.5	70.8
Nuclear	**16.7**	16.4	17.9
Hydro	**4.1**	4.1	4.7
Oil and gas	**1.5**	1.7	0.9
Purchased power	**4.4**	5.3	5.7
Total	**100.0**	100.0	100.0
Total Fuel Economy Data:			
BTU per net kilowatt-hour generated	**10,257**	10,099	10,010
Cost of fuel per million BTU (cents)	**144.02**	151.70	155.81
Average cost of fuel per net kilowatt-hour generated (cents)	**1.48**	1.53	1.56

1993	1992	1991	1990	1989	1988	1987	1986
$2,696	$2,402	$2,391	$2,342	$2,194	$2,103	$2,042	$1,996
2,313	2,181	2,122	2,062	1,965	1,835	1,692	1,613
2,200	2,126	2,088	2,085	2,011	1,945	1,870	1,845
68	64	65	64	60	56	54	52
7,277	6,773	6,666	6,553	6,230	5,939	5,658	5,506
447	409	417	412	401	480	461	511
613	797	884	977	928	777	1,028	957
8,337	7,979	67	7,942	7,559	7,196	7,147	6,974
152	94	83	111	61	91	57	59
$8,489	$8,073	$8,050	$8,053	$7,620	$7,287	$7,204	$7,033
36,807	33,627	33,622	33,118	31,627	31,041	30,583	29,501
32,847	31,025	30,379	29,658	28,454	27,005	25,593	24,166
48,738	47,816	46,050	45,974	45,022	43,675	42,113	40,503
814	777	817	806	787	763	737	723
119,206	113,245	110,868	109,556	105,890	102,484	99,026	94,893
13,258	12,107	12,320	11,134	11,419	14,806	13,282	14,347
12,445	16,632	19,839	24,402	24,228	15,860	22,905	16,909
144,909	141,984	143,027	145,092	141,537	133,150	135,213	126,149
7.32	7.14	7.11	7.07	6.94	6.77	6.68	6.77
7.04	7.03	6.99	6.96	6.91	6.79	6.61	6.67
4.51	4.45	4.53	4.53	4.47	4.45	4.44	4.56
6.10	5.98	6.01	5.98	5.88	5.80	5.71	5.80
4.12	4.20	4.05	3.91	3.73	4.10	4.11	4.69
5.75	5.62	5.57	5.47	5.34	5.40	5.29	5.53
12,378	11,490	11,659	11,637	11,287	11,255	11,307	11,157
$906.60	$820.67	$829.18	$822.93	$782.90	$762.42	$754.96	$754.93
29,513	29,830	29,915	29,532	29,532	27,552	27,610	26,262
19,432	19,121	19,166	17,629	20,772	18,685	18,185	19,665
25,937	24,146	25,261	25,981	24,399	23,641	23,194	23,255
13.2	14.3	16.5	14.0	21.0	15.0	16.2	11.4
59.4	60.3	58.3	56.6	58.6	59.8	58.7	57.2
87.9	88.6	91.3	91.9	92.2	91.3	91.2	90.3
85.9	85.2	83.4	83.0	87.0	78.4	84.5	74.2
73.0	71.7	72.6	72.1	71.5	77.7	77.8	7[illegible]4
16.3	16.2	16.2	15.6	15.7	14.5	13.1	11.5
3.9	4.6	4.4	4.4	5.2	2.3	3.3	2.2
0.9	0.5	0.6	1.3	1.1	0.7	0.6	0.9
5.9	7.0	6.2	6.6	6.5	4.8	5.2	6.0
100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
9,994	9,976	10,022	10,065	10,086	10,094	10,122	10,171
166.85	162.58	168.28	172.81	171.00	170.36	176.64	185.89
1.67	1.62	1.69	1.74	1.72	1.72	1.78	1.89

CONSOLIDATED OPERATING AREA CAPABILITY, POWER SUPPLY AND FUEL ECONOMY DATA

Southern Company and Subsidiary Companies

At Time of Peak	1996	1995	1994
Operating Area Capability (Megawatts)			
Plants:			
Fossil - Coal	**22,512**	22,514	22,668
- Gas & Oil	**4,074**	3,744	3,004
Total	**26,586**	26,258	25,672
Nuclear	**4,404**	4,328	4,338
Hydro	**2,744**	2,780	2,567
Plant Capability	**33,734**	33,366	32,577
Firm Capacity Purchases	**791**	196	391
Total Operating Area Capability	**34,525**	33,562	32,968

Years Ended December 31,	1996	1995	1994
Power Supply Data (Millions of Kilowatt-hour)			
Generated:			
Fossil - Coal	**119,382**	112,157	106,263
- Nuclear	**27,119**	25,351	26,902
- Gas	**1,991**	2,315	1,224
- Oil	**364**	385	106
Total	**148,856**	140,208	134,495
Hydro	**6,665**	6,377	7,043
Total Energy Generated	**155,521**	146,585	141,538
Purchased Power	**7,227**	8,259	8,612
Total Energy Generated and Received	**162,748**	154,844	150,150

Years Ended December 31,	1996	1995	1994
Fossil Fuel Economy Data:			
BTU per Net Kilowatt-hour Generated	**10,139**	9,915	9,807
Cost of Fuel per Million BTU (Cents)	**166.84**	176.46	184.60
Fuel Cost per Net Kilowatt-hour Generated (Cents)	**1.69**	1.75	1.81
Nuclear Fuel Economy Data:			
BTU per Net Kilowatt-hour Generated	**10,782**	10,924	10,814
Cost of Fuel per Million BTU (Cents)	**48.51**	50.82	52.22
Fuel Cost per Net Kilowatt-hour Generated (Cents)	**0.52**	0.56	0.56
Total Fuel Economy Data:			
BTU per Net Kilowatt-hour Generated	**10,257**	10,099	10,010
Cost of Fuel per Million BTU (Cents)	**144.02**	151.70	155.81
Fuel Cost per Net Kilowatt-hour Generated (Cents)	**1.48**	1.53	1.56

CONSOLIDATED OPERATING AREA CAPABILITY, POWER SUPPLY AND FUEL ECONOMY DATA

Southern Company and Subsidiary Companies

1993	1992	1991	1990	1989	1988	1987	1986
22,770	22,708	24,191	23,807	23,824	22,255	22,274	21,432
2,519	2,483	2,338	2,327	2,324	2,295	2,338	2,335
25,289	25,191	26,529	26,134	26,148	24,550	24,612	23,767
4,317	4,260	5,356	5,385	5,361	4,258	4,277	3,212
2,567	2,592	2,592	2,592	2,592	2,592	2,591	2,591
32 173	32,043	34,477	34,111	34,101	31,400	31,480	29,570
(1)	(1,366)	(1, 41)	(949)	(947)	(923)	(1,626)	(1,004)
32,172	30,677	33,436	33,162	33,154	30,477	29,854	28,566

1993	1992	1991	1990	1989	1988	1987	1986
111,912	107,537	109,674	110,442	106,878	108,936	110,591	105,993
24,993	24,328	24,464	23,958	23,471	20,368	18,572	15,313
1,106	727	962	1,776	1,501	644	673	953
204	74	30	96	91	200	134	250
138,215	132,666	135,130	136,272	131,941	130,148	129,970	122,509
5,971	6,919	6,666	6,773	7,851	3,285	4,697	2,888
144,186	139,585	141,796	143,045	139,792	133,433	134,667	125,397
9,076	10,453	9,347	10,168	9,670	6,694	7,436	8,047
153,262	150,038	151,143	153,213	149,462	140,127	142,103	133,444

1993	1992	1991	1990	1989	1988	1987	1986
9,790	9,755	9,811	9,869	9,898	9,921	9,961	10,049
195 75	191 22	195 09	197 53	193 16	189 88	195 27	203 73
1 92	1 87	1 91	1 95	1 91	1 88	1 95	2 05
10,912	10,958	10,972	10,980	10,951	11,027	11,086	11,019
49 94	49 66	60 37	69 10	78 61	75 67	76 28	71 99
0 54	0 54	0 66	0 76	0 86	0 83	0 85	0 79
9,994	9,976	10,022	10,065	10,086	10,094	10,122	10,171
166 85	162 58	168 28	172 81	171 00	170 36	176 64	185 89
1 67	1 62	1 69	1 74	1 72	1 72	1 78	1 89

CONSOLIDATED STATEMENTS OF INCOME
The Southern Company and Subsidiary Companies

For the Years Ended December 31, (Millions of Dollars)	1996	1995	1994
Operating Revenues	$ 10,358	$ 9,180	$ 8,297
Operating Expenses:			
Operation --			
Fuel	2,245	2,126	2,058
Purchased power	1,103	491	277
Proceeds from settlement of disputed contracts	-	-	-
Other	1,860	1,626	1,505
Maintenance	782	683	660
Depreciation and amortization	996	904	821
Amortization of deferred Plant Vogtle costs, net	137	124	75
Taxes other than income taxes	634	535	475
Income taxes	747	805	711
Total operating expenses	8,504	7,294	6,582
Operating Income	1,854	1,886	1,715
Other Income:			
Allowance for equity funds used during construction	4	5	11
Deferred return on Plant Vogtle	-	-	-
Write-off of Plant Vogtle costs	-	-	-
Income tax reduction for write-off of Plant Vogtle costs	-	-	-
Interest income	54	38	32
Other, net	42	(65)	(28)
Income taxes applicable to other income	(10)	36	26
Income Before Interest Charges	1,944	1,900	1,756
Interest Charges and Other:			
Interest on long-term debt	530	557	568
Allowance for debt funds used during construction	(19)	(20)	(18)
Interest on notes payable	107	63	33
Amortization of debt discount, premium, and expense, net	33	44	30
Other interest charges	46	43	47
Minority interest in subsidiaries	13	13	20
Distributions on preferred securities of subsidiary companies	22	9	-
Preferred dividends of subsidiary companies	85	88	87
Interest charges and other, net	817	797	767
Consolidated Net Income	$ 1,127	$ 1,103	$ 989
Earnings Per Share of Common Stock	$1.68	$1.66	$1.52
Average Number of Shares of Common Stock Outstanding (Thousands)	672,590	665,064	649,927

CONSOLIDATED STATEMENTS OF INCOME
The Southern Company and Subsidiary Companies

1993	1992	1991	1990	1989	1988	1987	1986
$ 8,489	$ 8,073	$ 8,050	$ 8,053	$ 7,620	$ 7,287	$ 7,204	$ 7,033
2,265	2,114	2,237	2,327	2,241	2,213	2,303	2,316
336	454	468	642	575	562	552	386
(3)	(7)	(181)	-	-	-	-	-
1,448	1,317	1,321	1,161	1,103	1,167	1,219	1,045
653	613	637	602	542	547	574	576
793	768	763	749	698	632	563	510
36	(31)	16	31	(39)	(8)	(142)	-
462	436	432	397	356	362	349	315
734	647	618	520	525	412	517	672
6,724	6,311	6,311	6,429	6,001	5,887	5,935	5,820
1,765	1,762	1,739	1,624	1,619	1,400	1,269	1,213
9	10	13	33	71	138	190	312
-	-	35	83	48	107	115	-
-	-	-	(281)	-	-	(358)	-
-	-	-	63	-	-	129	-
30	32	30	28	28	46	77	66
(34)	(50)	(57)	(55)	(50)	(30)	(59)	(20)
57	39	21	36	30	23	19	-
1,827	1,793	1,781	1,531	1,746	1,684	1,382	1,571
595	684	757	788	791	784	776	782
(13)	(12)	(18)	(34)	(63)	(130)	(157)	(260)
30	16	20	22	17	22	24	4
26	14	9	10	11	10	8	6
87	34	29	26	26	32	29	15
7	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
95	104	108	115	123	120	125	121
825	840	905	927	900	838	805	668
$ 1,002	$ 953	$ 876	$ 604	$ 846	$ 846	$ 577	$ 903
$1.57	$1.51	$1.39	$0.96	$1.34	$1.36	$0.96	$1.56
637,319	631,844	631,307	631,307	631,303	622,292	601,390	580,252

CONSOLIDATED STATEMENTS OF CASH FLOWS
The Southern Company and Subsidiary Companies

For the Years Ended December 31, (Millions of Dollars)	1996	1995	1994
Operating Activities:			
Consolidated net income	$ 1,127	$ 1,103	$ 989
Adjustments to reconcile net income to net cash provided by operating activities --			
Depreciation and amortization	1,201	1,134	1,050
Deferred income taxes	57	116	(3)
Deferred investment tax credits	-	1	(1)
Allowance for equity funds used during construction	(4)	(5)	(11)
Amortization of deferred Plant Vogtle costs, net	137	124	75
Write-off of Plant Vogtle costs	-	-	-
Non-cash proceeds from settlement of disputed contracts	-	-	-
Other, net	20	(85)	(7)
Changes in certain current assets and liabilities --			
Receivables	(97)	(109)	114
Inventories	104	39	(128)
Payables	19	(138)	91
Taxes accrued	(69)	-	-
Other	(99)	135	(48)
Net cash provided from operating activities	2,401	2,315	2,111
Investing Activities:			
Gross property additions	(1,229)	(1,401)	(1,536)
Southern Energy business acquisitions	-	(1,416)	(405)
Sales of property	211	287	171
Other	(275)	153	(87)
Net cash used for investing activities	(1,293)	(2,377)	(1,857)
Financing Activities:			
Proceeds:			
Common stock	171	277	279
Preferred securities	322	-	100
Preferred stock	-	-	-
First mortgage bonds	85	375	185
Pollution control bonds	167	731	749
Other long-term debt	1,403	1,074	439
Prepaid capacity revenues	-	-	-
Retirements:			
Preferred stock	(179)	(1)	(1)
First mortgage bonds	(426)	(538)	(241)
Pollution control bonds	(174)	(721)	(732)
Other long-term debt	(1,580)	(181)	(307)
Increase (decrease) in notes payable, net	(268)	727	37
Payment of common stock dividends	(846)	(811)	(766)
Miscellaneous	(110)	(237)	(35)
Net cash provided from (used for) financing activities	(1,435)	695	(293)
Net Increase (Decrease) in Cash and Cash Equivalents	(327)	633	(39)
Cash and Cash Equivalents at Beginning of Year	772	139	178
Cash and Cash Equivalents at End of Year	$ 445	$ 772	$ 139

( ) Denotes use of cash.

CONSOLIDATED STATEMENTS OF CASH FLOWS
The Southern Company and Subsidiary Companies

1993	1992	1991	1990	1989	1988	1987	1986
$ 1,002	$ 953	$ 876	$ 604	$ 846	$ 846	$ 577	$ 903
1,011	969	968	982	951	837	742	674
209	221	26	158	225	20	198	465
(20)	(6)	(11)	-	(1)	27	20	132
(9)	(10)	(13)	(33)	(71)	(138)	(190)	(312)
36	(31)	(19)	(52)	(87)	(115)	(257)	-
-	-	-	281	-	-	358	-
-	(7)	(141)	-	-	-	-	-
(45)	(25)	45	(10)	(28)	46	87	15
(55)	(10)	68	8	(123)	(21)	(113)	38
136	(23)	20	(82)	6	(47)	(62)	(37)
43	35	(13)	(41)	(23)	(6)	125	48
3	(62)	107	(5)	(15)	29	(34)	24
(64)	(9)	(46)	(34)	156	(40)	42	(56)
2,247	1,995	1,867	1,776	1,836	1,624	1,493	1,894
(1,441)	(1,105)	(1,123)	(1,185)	(1,346)	(1,754)	(1,853)	(2,367)
(465)	-	-	-	-	-	-	-
262	44	291	35	-	-	12	-
(37)	61	(45)	14	54	(2)	64	46
(1,681)	(1,000)	(877)	(1,136)	(1,292)	(1,756)	(1,777)	(2,321)
205	30	-	-	4	194	247	379
-	-	-	-	-	-	-	-
426	410	100	-	-	120	125	100
2,185	1,815	380	300	280	335	700	735
386	208	126	-	104	73	228	386
206	48	14	74	74	68	81	367
-	-	53	-	-	-	-	100
(516)	(326)	(125)	(96)	(2.)	(10)	(160)	(53)
(2,178)	(2,575)	(881)	(145)	(201)	(273)	(369)	(875)
(351)	(208)	(130)	(3)	(55)	(1)	(122)	(21)
(99)	(88)	(70)	(207)	(83)	(108)	(56)	(55)
114	525	180	78	27	(300)	313	(37)
(726)	(695)	(676)	(676)	(675)	(661)	(628)	(583)
(137)	(148)	(41)	(8)	(10)	(20)	(58)	(82)
(485)	(1,004)	(1,070)	(784)	(556)	(583)	301	361
81	(9)	(80)	(44)	(12)	(715)	17	(66)
97	106	186	230	242	957	940	1,006
$ 178	$ 97	$ 106	$ 186	$ 230	$ 242	$ 957	$ 940

CONSOLIDATED BALANCE SHEETS
The Southern Company and Subsidiary Companies

At December 31, (Millions of Dollars)	1996	1995	1994
ASSETS			
Electric Plant:			
Production-			
Fossil	$ 8,706	$ 8,533	$ 8,778
Nuclear	5,982	5,956	5,942
Hydro	1,489	1,477	1,341
Total production	16,177	15,966	16,061
Transmission	3,596	3,452	3,504
Distribution	7,910	7,583	7,243
General	2,548	2,436	2,380
SEI utility plant	3,008	2,420	-
Construction work in progress	684	990	1,247
Nuclear fuel, at amortized cost	246	225	238
Total electric plant	34,169	33,072	30,673
Steam Heat Plant	21	21	21
Total utility plant	34,190	33,093	30,694
Accumulated Provision for Depreciation:			
Electric	10,909	10,056	9,567
Steam heat	12	11	10
Total accumulated provision for depreciation	10,921	10,067	9,577
Total	23,269	23,026	21,117
Less property-related accumulated deferred income taxes	-	-	-
Total	23,269	23,026	21,117
Other Property and Investments:			
Securities received from settlement of disputed contracts	-	-	-
Argentine operating concession, being amortized	416	431	446
Goodwill	318	344	12
Nuclear decommissioning trusts	279	201	125
Miscellaneous	488	317	224
Total	1,501	1,293	807
Current Assets:			
Cash and cash equivalents	445	772	139
Investment securities	-	-	-
Receivables, net	1,157	1,175	840
Accrued utility revenues	345	347	218
Fossil fuel stock, at average cost	270	327	354
Materials and supplies, at average cost	510	552	553
Prepayments	253	266	194
Vacation pay deferred	77	74	70
Total	3,057	3,513	2,368
Deferred Charges:			
Deferred charges related to income taxes	1,302	1,386	1,454
Deferred Plant Vogtle costs	171	308	432
Deferred fuel charges	13	34	47
Debt expense, being amortized	78	68	48
Premium on reacquired debt, being amortized	289	295	298
Miscellaneous	612	529	471
Total	2,465	2,690	2,750
Total Assets	$ 30,292	$ 30,522	$ 27,042

CONSOLIDATED BALANCE SHEETS
The Southern Company and Subsidiary Companies

1993	1992	1991	1990	1989	1988	1987	1986
$ 8,006	$ 8,033	$ 7,997	$ 7,661	$ 7,565	$ 6,226	$ 6,157	$ 5,415
5,930	5,912	5,902	5,820	5,976	4,995	4,987	2,490
1,263	1,253	1,247	1,222	1,215	',197	1,192	1,184
15,199	15,198	15,146	14,703	14,756	12,418	12,336	9,089
3,224	3,093	2,955	2,824	2,683	2,500	2,388	2,254
6,848	6,430	6,092	5,738	5,365	4,944	4,510	4,131
2,395	2,291	2,196	2,078	2,026	1,865	1,674	1,504
-	-	-	-	-	-	-	-
1,031	665	603	1,092	1,006	3,071	2,519	5,162
229	257	301	354	402	481	479	520
28,926	27,934	27,293	26,789	26,238	25,279	23,906	22,660
21	21	20	20	20	20	20	35
28,947	27,955	27,313	26,809	26,258	25,299	23,926	22,695
8,924	8,271	7,676	7,079	6,492	5,885	5,355	4,879
10	9	8	8	7	6	6	13
8,934	8,280	7,684	7,087	6,499	5,891	5,361	4,892
20,013	19,675	19,629	19,722	19,759	19,408	18,565	17,803
-	3,186	3,020	2,911	2,759	2,559	2,371	2,212
20,013	16,489	16,609	16,811	17,000	16,849	16,194	15,591
-	-	202	-	-	-	-	-
469	-	-	-	-	-	-	-
7	-	-	-	-	-	-	-
88	52	26	2	-	-	-	-
172	75	83	83	85	88	70	69
736	127	311	85	85	88	70	69
178	97	106	186	230	242	957	940
-	199	-	-	-	-	-	-
962	742	723	793	765	687	687	657
185	177	160	151	189	148	139	83
254	392	445	467	427	490	513	501
535	533	457	456	413	348	278	228
148	220	222	193	192	174	136	70
73	70	70	64	65	63	59	56
2,335	2,430	2,183	2,310	2,281	2,152	2,769	2,535
1,546	-	-	-	-	-	-	
507	383	375	364	322	270	173	-
70	89	106	126	143	157	112	121
33	28	23	23	24	24	25	24
288	222	126	99	103	102	95	70
383	270	130	137	134	89	80	73
2,827	992	760	749	726	642	465	288
$ 25,911	$ 20,038	$ 19,863	$ 19,955	$ 20,092	$ 19,731	$ 19,518	$ 18,483

CONSOLIDATED BALANCE SHEETS
The Southern Company and Subsidiary Companies

At December 31, (Millions of Dollars)	1996	1995	1994
CAPITALIZATION AND LIABILITIES			
Capitalization:			
Common stock	$ 3,385	$ 3,348	$ 3,283
Paid-in capital	2,067	1,941	1,712
Retained Earnings	3,764	3,483	3,191
Total common stock equity	9,216	8,772	8,186
Preferred stock	980	1,332	1,332
Preferred stock subject to man...ory redemption	-	-	-
Subsidiary obligated mandatorily redeemable preferred securities	422	100	100
Long-term debt	7,935	8,274	7,593
Total (excluding amount due within one year)	18,553	18,478	17,211
Current Liabilities:			
Notes payable	828	445	575
Commercial paper	655	1,225	403
Preferred stock due within one year	173	-	1
Long-term debt due within one year	191	509	228
Accounts payable	788	785	806
Customer deposits	132	216	102
Taxes accrued	205	272	153
Interest accrued	187	199	190
Vacation pay accrued	104	100	87
Miscellaneous	535	530	233
Total	3,798	4,281	2,778
Deferred Credits and Other Liabilities:			
Accumulated deferred income taxes	4,738	4,611	4,007
Deferred credits related to income taxes	879	936	987
Accumulated deferred investment tax credits	788	820	858
Minority interest	375	231	267
Prepaid capacity revenues	122	131	138
Disallowed Plant Vogtle capacity buyback costs	57	59	60
Miscellaneous	982	975	736
Total	7,941	7,763	7,053
Total Capitalization and Liabilities	$ 30,292	$ 30,522	$ 27,042

CONSOLIDATED BALANCE SHEETS
The Southern Company and Subsidiary Companies

1993	1992	1991	1990	1989	1988	1987	1986
$ 3,213	$ 1,582	$ 1,578	$ 1,578	$ 1,578	$ 1,577	$ 1,534	$ 1,481
1,503	2,931	2,908	2,909	2,909	2,906	2,755	2,563
2,968	2,721	2,490	2,296	2,374	2,203	2,018	2,089
7,684	7,234	6,976	6,783	6,861	6,686	6,307	6,133
1,332	1,351	1,207	1,207	1,209	1,259	1,139	1,214
1	8	126	151	191	206	224	177
-	-	-	-	-	-	-	-
7,412	7,241	7,992	8,458	8,575	8,433	8,333	7,813
16,429	15,834	16,301	16,599	16,836	16,584	16,003	15,337
865	567	302	122	44	17	317	4
76	260	-	-	-	-	-	-
1	65	7	7	61	17	9	15
156	188	217	308	169	190	192	251
698	646	585	616	676	728	747	737
103	99	95	91	89	83	86	82
206	172	215	144	181	203	221	259
186	191	221	246	233	240	233	221
90	86	84	75	75	74	68	66
190	242	229	233	252	104	110	111
2,571	2,516	1,955	1,842	1,780	1,656	1,983	1,746
3,979	-	-	-	-	-	-	-
1,051	-	-	-	-	-	-	-
900	957	1,004	1,063	1,111	1,161	1,180	1,208
-	-	-	-	-	-	-	-
144	148	149	100	102	81	104	101
63	72	110	136	73	104	79	-
774	511	344	215	190	145	169	91
6,911	1,688	1,607	1,514	1,476	1,491	1,532	1,400
$ 25,911	$ 20,038	$ 19,863	$ 19,955	$ 20,092	$ 19,731	$ 19,518	$ 18,483

CONSOLIDATED INCOME TAXES
Southern Company and Subsidiary Companies

For the Years Ended December 31, (Millions of Dollars)	1996	1995	1994
Total Provision for Income Taxes:			
Federal	$569	$567	$598
State	82	90	86
Deferred - Current Year - Federal	116	184	67
- State	23	26	15
Deferred - Reversal of Prior Years - Federal	(74)	(111)	(75)
- State	(9)	(12)	(11)
Investment Tax Credits:			
Deferred	-	1	-
Amortization - Plant Costs Written Off	-	-	-
Foreign Taxes	50	24	5
Total Income Taxes	757	769	685
Less Income Taxes Charged (Credited) to -			
Other Income	10	(36)	(26)
Disallowed Plant Costs	-	-	-
Income Taxes Charged to Electric Operations	$747	$805	$711
Statutory Federal Income Tax Rate	35.0%	35.0%	35.0%
Effective Federal Income Tax Rate Before Effect of Timing Differences	34.3%	34.6%	34.2%

RECONCILIATION OF FEDERAL INCOME TAXES
Southern Company and Subsidiary Companies

For the Years Ended December 31, (Millions of Dollars)	1996	1995	1994
Total Provision for Federal and Foreign Income Taxes:			
Permanent Reductions in Tax Expense Resulting from Statutory	$661	$665	$595
Exclusions from Taxable Income-			
Effect of Foreign Operations, Including Foreign Tax Credit	(1)	(1)	-
Equity Component of Allowance for Funds Used During			
Construction and Deferred Return on Plant Vogtle	2	2	4
Amortization of Investment Tax Credits			
Deferred	12	14	15
Plant Costs Written Off	-	-	-
Deductible Portion of Preferred Stock Dividends	1	1	1
Difference in Depreciation Basis	(35)	(33)	(32)
Plant Costs Written Off	-	-	-
Depletion of Coal Reserves Minded	-	-	-
Other	2	(6)	(11)
Effective Federal Income Taxes Before Effect of Timing Differences	642	642	572
Reversal of Prior Year Timing Differences - Not Normalized			
Excess of Tax Gain over Book Profit on Sales of Utility Properties	(1)	(7)	(7)
Difference in Depreciation Basis and Rates	(9)	(6)	(7)
Other	-	-	-
Reversal of Prior Year Timing Differences - Normalized	20	21	27
Miscellaneous	-	-	-
Statutory Federal Income Taxes	$650	$650	$585

CONSOLIDATED INCOME TAXES
The Southern Company and Subsidiary Companies

1993	1992	1991	1990	1989	1988	1987	1986
$421	$343	$506	$231	$237	$138	$133	$58
64	50	76	32	34	18	18	17
224	225	139	142	221	328	294	498
39	46	23	24	35	53	25	54
(51)	(41)	(121)	(11)	(32)	(159)	(118)	(82)
(3)	(9)	(15)	3	1	(16)	(3)	(5)
(20)	(6)	(11)	4	(1)	27	40	132
-	-	-	(4)	-	-	(20)	-
3	-	-	-	-	-	-	-
677	608	597	421	495	389	369	672
(57)	(39)	(21)	(36)	(30)	(23)	(19)	-
-	-	-	(63)	-	-	(129)	-
$734	$647	$618	$520	$525	$412	$517	$672
35.0%	34.0%	34.0%	34.0%	34.0%	34.0%	40.0%	46.0%
34.8%	32.9%	33.4%	30.8%	31.5%	31.5%	40.6%	46.6%

RECONCILIATION OF FEDERAL INCOME TAXES

1993	1992	1991	1990	1989	1988	1987	1986
$577	$521	$513	$362	$425	$334	$329	$606
-	-	-	-	-	-	-	-
3	3	11	26	29	67	100	145
13	14	16	16	16	16	19	18
-	-	-	4	-	-	20	-
1	1	1	1	1	1	1	1
(33)	(36)	(46)	(40)	(39)	(28)	(30)	(19)
-	-	-	(42)	-	-	(24)	-
-	-	-	-	-	-	-	2
20	16	6	6	7	20	4	7
581	519	501	333	439	410	419	760
(12)	-	(12)	1	-	-	-	1
(7)	(7)	(3)	(3)	(3)	(4)	(4)	(13)
-	-	-	-	-	-	(2)	1
23	25	23	37	38	36	(1)	2
-	-	-	-	-	-	(1)	(1)
$585	$537	$509	$368	$474	$442	$411	$750

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ALABAMA POWER COMPANY

FINANCIAL SECTION

MANAGEMENT'S REPORT

Alabama Power Company 1996 Annual Report

The management of Alabama Power Company has prepared – and is responsible for – the financial statements and related information included in this report. These statements were prepared in accordance with generally accepted accounting principles appropriate in the circumstances and necessarily include amounts that are based on the best estimates and judgments of management. Financial information throughout this annual report is consistent with the financial statements

The company maintains a system of internal accounting controls to provide reasonable assurance that assets are safeguarded and that the books and records reflect only authorized transactions of the company. Limitations exist in any system of internal controls, however, based on a recognition that the cost of the system should not exceed its benefits. The company believes its system of internal accounting controls maintains an appropriate cost/benefit relationship

The company's system of internal accounting controls is evaluated on an ongoing basis by the company's internal audit staff. The company's independent public accountants also consider certain elements of the internal control system in order to determine their auditing procedures for the purpose of expressing an opinion on the financial statements

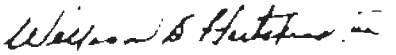
The audit committee of the board of directors, composed of directors who are not employees, provides a broad overview of management's financial reporting and control functions. Periodically, this committee meets with management, the internal auditors and the independent public accountants to ensure that these groups are fulfilling their obligations and to discuss auditing, internal controls, and financial reporting matters. The internal auditors and independent public accountants have access to the members of the audit committee at any time

Management believes that its policies and procedures provide reasonable assurance that the company's operations are conducted according to a high standard of business ethics

In management's opinion, the financial statements present fairly, in all material respects, the financial position, results of operations and cash flows of Alabama Power Company in conformity with generally accepted accounting principles



Elmer B. Harris
President
and Chief Executive Officer



William B. Hutchins, III
Executive Vice President
and Chief Financial Officer

February 12, 1997

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Board of Directors
of Alabama Power Company:

We have audited the accompanying balance sheets and statements of capitalization of Alabama Power Company (an Alabama corporation and a wholly owned subsidiary of Southern Company) as of December 31, 1996 and 1995, and the related statements of income, retained earnings, and cash flows for each of the three years in the period ended December 31, 1996. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements (pages II-62 through II-79) referred to above present fairly, in all material respects, the financial position of Alabama Power Company as of December 31, 1996 and 1995, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 1996, in conformity with generally accepted accounting principles

Arthur Andersen LLP

Birmingham, Alabama
February 12, 1997

RESULTS OF OPERATIONS

Earnings

Alabama Power Company's 1996 net income after dividends on preferred stock was $371 million, representing a $10.6 million (2.9 percent) increase from the prior year. This improvement can be attributed to an increase in retail energy sales of 2.7 percent from 1995 levels and lower net interest charges compared to the prior year. This improvement was partially offset by a 4.4 percent increase in operating costs.

In 1995, earnings were $361 million, representing a 1.3 percent increase from the prior year. This increase was due to an increase in retail energy sales of 4.7 percent, brought about by extreme summer weather. This improvement was partially offset by a 2.6 percent increase in operating costs.

The return on average common equity for 1996 was 13.75 percent compared to 13.61 percent in 1995, and 13.86 percent in 1994.

Revenues

Total revenues for 1996 were $3.1 billion, reflecting a 3.2 percent increase from 1995. The following table summarizes the principal factors that affected operating revenues for the past three years:

	Increase (Decrease) From Prior Year		
	1996	1995	1994
	(in thousands)		
Retail –			
Change in base rates	$(19,380)	$ 990	$ --
Unbilled adjustment	--	--	28,000
Sales growth	61,765	18,174	45,304
Weather	(29,660)	54,888	(39,964)
Fuel cost recovery and other	(30,846)	35,235	(84,344)
Total retail	(18,121)	109,287	(51,004)
Sales for resale --			
Non-affiliates	21,529	15,380	(9,345)
Affiliates	88,890	(37,032)	(17,213)
Total sales for resale	110,419	(21,652)	(26,558)
Other operating revenues	3,703	1,997	5,095
Total operating revenues	$ 96,001	$ 89,632	$(72,467)
Percent change	3.2%	3.1%	(2.4)%

Retail revenues of $2.5 billion in 1996 decreased $18 million (0.7 percent) from the prior year, compared with an increase of $109 million (4.6 percent) in 1995. Lower fuel cost recovery was the primary reason for the decrease in 1996 retail revenues as compared to 1995. The hot weather during the summer of 1995 and higher fuel cost recovery were the primary reasons for the increase in retail revenues over 1994. Fuel revenues generally represent the direct recovery of fuel expense, including the fuel component of purchased energy, and therefore have no effect on net income.

Revenues from sales to utilities outside the service area under long-term contracts consist of capacity and energy components. Capacity revenues reflect the recovery of fixed costs and a return on investment under the contracts. Energy is generally sold at variable cost. These capacity

and energy components, as well as the components of the sales to affiliated companies, were:

	1996	1995	1994
		(in thousands)	
Capacity	$159,488	$158,825	$165,063
Energy	315,925	209,376	222,579
Total	$475,413	$368,201	$387,642

Capacity revenues from non-affiliates remained relatively constant over the past three years. Sales to affiliated companies within the Southern electric system will vary from year to year depending on demand, the availability, and the variable production cost of generating resources at each company.

Kilowatt-hour (KWH) sales for 1996 and the percent change by year were as follows:

	KWH	Percent Change		
	1996	1996	1995	1994
	(millions)			
Residential	14,594	1.5%	9.1%	(1.7)%
Commercial*	10,904	8.6	4.1	3.4
Industrial*	19,999	0.7	2.0	3.2
Other	193	3.1	0.5	1.1
Total retail	45,690	2.7	4.7	3.3
Sales for resale -				
Non-affiliates	9,491	18.0	18.8	(5.2)
Affiliates	10,292	53.5	(20.5)	4.3
Total	65,473	10.5%	2.6%	2.4%

*The KWH sales for 1996 reflect a reclassification of approximately 200 customers from industrial to commercial, which resulted in a shift of 473 million KWH. Absent the reclassification, the percentage change in KWH sales for commercial and industrial would have been 3.9% and 3.1%, respectively.

The increase in 1996 retail energy sales was primarily due to the strength of business and economic conditions in the company's service area. The 1995 retail sales growth was the result of hotter-than-normal summer weather and a strong economy in the company's service territory. Assuming normal weather, sales to retail customers are projected to grow approximately 2.7 percent annually on average during 1997 through 2002.

Expenses

Total operating expenses of $2.5 billion for 1996 were up $105 million or 4.4 percent compared with 1995. The major components of this increase include $85 million in fuel costs, $15 million in maintenance expense, and $17 million in depreciation and amortization offset by a decrease in purchased power of $15 million.

Total operating expenses of $2.4 billion for 1995 were up 2.6 percent compared with the prior year. This increase was primarily due to higher other operation expenses and increased purchased power. This was somewhat offset by decreases in fuel costs and maintenance expenses.

Fuel costs constitute the single largest expense for the company. The mix of fuel sources for generation of electricity is determined primarily by system load, the unit cost of fuel consumed, and the availability of hydro and nuclear generating units. The amount and sources of generation and the average cost of fuel per net KWH generated were as follows:

	1996	1995	1994
Total generation (billions of KWHs)	65	58	57
Sources of generation (percent) --			
Coal	72	73	68
Nuclear	20	19	23
Hydro	8	8	9
Average cost of fuel per net KWH generated (cents) --			
Coal	1.71	1.71	1.92
Nuclear	0.50	0.50	0.49
Total	1.46	1.48	1.56

Note: Oil & Gas comprise less than 0.5% of generation.

Fuel expense increased in 1996 by $85 million or 10.8 percent. This increase can be attributed to higher generation. Fuel expense decreased in 1995 by $10 million or 1.3 percent. This decrease resulted from lower average cost of fuel consumed.

Purchased power consists primarily of purchases from the affiliates of the Southern electric system. Purchased power transactions among the company and its affiliates will vary from period to period depending on demand, the

availability, and the variable production cost of generating resources at each company. Total KWH purchases declined 9.3 percent from the prior year.

The increase in maintenance expenses for 1996 is due to increased nuclear expenses, primarily outage related accruals. The decrease in 1995 over 1994 reflects the establishment in 1994 of the Natural Disaster Reserve. See Note 1 to the financial statements under "Natural Disaster Reserve" for additional information.

Depreciation and amortization expense increased 5.6 percent in 1996 and 3.6 percent in 1995. These increases reflect additions to utility plant.

The company contributed $6.8 million to the Alabama Power Foundation, Inc. in 1996, which represents a decrease of $4.7 million from the previous year. The Foundation makes distributions to qualified entities which are organized exclusively for charitable, educational, literary, and scientific purposes.

The decline in net interest charges in 1996 by $11 million (4.5 percent) was due primarily to a charge of $10 million in 1995 to the amortization of debt discount, premium, and expense net, pursuant to an Alabama Public Service Commission (APSC) order. See Note 3 to the financial statements under "Retail Rate Adjustment Procedures" for additional details. Total net interest charges and preferred stock dividends increased 12.2 percent in 1995. This increase results from (i) interest on interim obligations which rose due to higher average interest rates on an increased average amount of short-term debt outstanding and (ii) amortization of debt discount, premium, and expense net, pursuant to such order.

Effects of Inflation

The company is subject to rate regulation and income tax laws that are based on the recovery of historical costs. Therefore, inflation creates an economic loss because the company is recovering its costs of investments in dollars that have less purchasing power. While the inflation rate has been relatively low in recent years, it continues to have an adverse effect on the company because of the large investment in long-lived utility plant. Conventional accounting for historical cost does not recognize this economic loss nor the partially offsetting gain that arises through financing facilities with fixed-money obligations, such as long-term debt and preferred stock. Any recognition of inflation by regulatory authorities is reflected in the rate of return allowed.

Future Earnings Potential

The results of operations for the past three years are not necessarily indicative of future earnings potential. The level of future earnings depends on numerous factors ranging from energy sales growth to a less regulated more competitive environment.

Future earnings in the near term will depend upon growth in electric sales, which are subject to a number of factors. Traditionally, these factors have included weather, competition, changes in contracts with neighboring utilities, energy conservation practiced by customers, the elasticity of demand, and the rate of economic growth in the company's service area. However, the Energy Policy Act of 1992 (Energy Act) is having a dramatic effect on the future of the electric utility industry. The Energy Act promotes energy efficiency, alternative fuel use, and increased competition for electric utilities. The company is positioning the business to meet the challenge of this major change in the traditional practice of selling electricity. The Energy Act allows independent power producers (IPPs) to access a utility's transmission network in order to sell electricity to other utilities. This enhances the incentive for IPPs to build cogeneration plants for a utility's large industrial and commercial customers and sell excess energy generation to other utilities. Also, electricity sales for resale rates are being driven down by wholesale transmission access and numerous potential new energy suppliers, including power marketers and brokers. The company is aggressively working to maintain and expand its share of wholesale business in the Southeastern power markets.

Various federal and state initiatives designed to promote wholesale and retail competition, among other things, include proposals that would allow customers to choose their electricity provider. As the initiatives materialize, the structure of the utility industry could radically change. Certain initiatives could result in a change in the ownership and/or operation of generation and transmission facilities. Numerous issues must be resolved, including significant ones relating to transmission pricing and recovery of stranded investments. Being a low cost producer could provide significant opportunities to increase market share.

and profitability in markets that evolve with changing regulation. Unless the company remains a low-cost producer and provides quality service, the company's retail energy sales growth could be limited, and this could significantly erode earnings.

The addition of four combustion turbine generating units in May 1996 increased related operation and maintenance expenses and depreciation expenses. These additions are to ensure reliable service to customers during critical peak times.

Rates to retail customers served by the company are regulated by the APSC. Rates for the company can be adjusted periodically within certain limitations based on earned retail rate of return compared with an allowed return. In June 1995, the APSC issued an order granting the company's request for gradual adjustments to move toward parity among customer classes. This order also calls for a moratorium on any periodic retail rate increases (but not decreases) until 2001.

In December 1995, the APSC issued an order authorizing the company to reduce balance sheet items -- such as plant and deferred charges -- at any time the company's actual base rate revenues exceed the budgeted revenues. See Note 3 to the financial statements for information about this and other matters.

The staff of the Securities and Exchange Commission has questioned certain of the current accounting practices of the electric utility industry -- including the company -- regarding the recognition, measurement, and classification of decommissioning costs for nuclear generating facilities in the financial statements. In response to these questions, the Financial Accounting Standards Board (FASB) has decided to review the accounting for liabilities related to closure and removal of long-lived assets, including nuclear decommissioning. If the FASB issues new accounting rules, the estimated costs of closing and removing the company's nuclear and other facilities may be required to be recorded as liabilities in the Balance Sheets. Also, the annual provisions for such costs could change. Because of the company's current ability to recover closure and removal costs through rates, these changes would not have a significant adverse effect on results of operations. See Note 1 to the financial statements under "Depreciation and Nuclear Decommissioning" for additional information.

Compliance costs related to the Clean Air Act Amendments of 1990 (Clean Air Act) could affect earnings if such costs are not fully recovered. The Clean Air Act and other important environmental items are discussed later under "Environmental Matters."

The company is subject to the provisions of FASB Statement No. 71, Accounting for the Effects of Certain Types of Regulation. In the event that a portion of the company's operations is no longer subject to these provisions, the company would be required to write off related regulatory assets and liabilities, and determine if any other assets have been impaired. See Note 1 to the financial statements under "Regulatory Assets and Liabilities" for additional information.

FINANCIAL CONDITION

Overview

The company's financial condition remained stable in 1996. This stability is the continuation over recent years of growth in energy sales and cost control measures combined with a significant lowering of the cost of capital, achieved through the refinancing and/or redemption of higher-cost long-term debt and preferred stock.

The company had gross property additions of $425 million in 1996. The majority of funds needed for gross property additions for the last several years have been provided from operating activities, principally from earnings and non-cash charges to income such as depreciation and deferred income taxes. The Statements of Cash Flows provide additional details.

Capital Structure

The company's ratio of common equity to total capitalization -- including short-term debt -- was 45.3 percent in 1996, compared with 45.0 percent in 1995, and 45.9 percent in 1994.

In January 1996, Alabama Power Capital Trust I (Trust I), of which the company owns all of the common securities, issued $97 million of 7.375 percent mandatorily redeemable preferred securities. Substantially all of the assets of Trust I are $100 million aggregate principal amount of the company's 7.375 percent junior subordinated notes due March 31, 2026. Additionally, in November

1996, the company issued through public authorities $21 million of pollution control revenue refunding bonds

In January 1997, Alabama Power Capital Trust II (Trust II), of which the company owns all of the common securities, issued $200 million of 7.60 percent mandatorily redeemable preferred securities. Substantially all of the assets of Trust II are $206 million aggregate principal amount of the company's 7.60 percent junior subordinated notes due December 31, 2036. A portion of the proceeds of the January 1997 issuance will be used for the redemption of $100 million of preferred stock in February 1997.

The company's current securities ratings are as follows:

	Duff & Phelps	Moody's	Standard & Poor's
First Mortgage Bonds	AA-	A1	A+
Company Obligated Mandatorily Redeemable Preferred Securities	A+	a2	A
Preferred Stock	A+	a2	A

Capital Requirements

Capital expenditures are estimated to be $425 million for 1997, $519 million for 1998, and $622 million for 1999. The total is $1.6 billion for the three years. Actual capital costs may vary from this estimate because of factors such as changes in business conditions, revised load growth projections, changes in environmental regulations, changes in the existing nuclear plant to meet new regulatory requirements, increasing cost of labor, equipment, and materials, and cost of capital. In addition, there can be no assurance that costs related to capital expenditures will be fully recovered.

The company has entered into agreements with two of its industrial customers to locate cogeneration facilities at their premises. These facilities will provide process steam to the respective customers concurrent with the production of electricity for use on the company's electric system. Each facility, which is primarily composed of a combustion turbine, will have approximately 100 megawatts of electric capacity and will serve as a base load resource for the company. These facilities are expected to be placed in service in 1999 at a total cost of approximately $90 million. In addition, significant construction of transmission and distribution facilities and upgrading of generating plants will continue.

Other Capital Requirements

In addition to the funds needed for the capital budget, approximately $220 million will be required by the end of 1999 for maturities of first mortgage bonds. Also, the company will continue to retire higher-cost debt and preferred stock and replace these obligations with lower-cost capital if market conditions permit.

Environmental Matters

In November 1990, the Clean Air Act was signed into law. Title IV of the Clean Air Act -- the acid rain compliance provision of the law -- impacts Southern Company. Specific reductions in sulfur dioxide and nitrogen oxide emissions from fossil-fired generating plants are required in two phases. Phase I compliance began in 1995 and affected 28 generating units of Southern Company. As a result of Southern Company's compliance strategy, an additional 22 generating units were brought into compliance with Phase I requirements. Phase II compliance is required in 2000, and all fossil-fired generating plants will be affected.

In 1995, the Environmental Protection Agency (EPA) began issuing annual sulfur dioxide emission allowances through the allowance trading program. An emission allowance is the authority to emit one ton of sulfur dioxide during a calendar year. The sulfur dioxide emission allowance program is expected to minimize the cost of compliance. Southern Company's sulfur dioxide compliance strategy is designed to use allowances as a compliance option.

Southern Company achieved Phase I sulfur dioxide compliance at the affected plants by switching to low-sulfur coal, which required some equipment upgrades. This compliance strategy resulted in unused emission allowances being banked for later use. Construction expenditures for Phase I compliance totaled approximately $25 million for the company.

For Phase II sulfur dioxide compliance, the company could use emission allowances, increase fuel switching,

and/or install flue gas desulfurization equipment at selected plants. Also equipment to control nitrogen oxide emissions will be installed on additional system fossil-fired units as required to meet Phase II limits. Therefore, the current compliance strategy could require total Phase II estimated construction expenditures of approximately $40 million, of which $30 million remains to be spent. However, the full impact of Phase II compliance cannot now be determined with certainty, pending the continuing development of a market for emission allowances, the completion of EPA regulations, and the possibility of new emission reduction technologies.

An average increase of up to 1 percent in annual revenue requirements from customers could be necessary to fully recover the company's cost of compliance for both Phase I and Phase II of Title IV of the Clean Air Act. Compliance costs include construction expenditures, increased costs for switching to low-sulfur coal, and costs related to emission allowances.

A significant portion of costs related to the acid rain provision of the Clean Air Act is expected to be recovered through existing ratemaking provisions. However, there can be no assurance that all Clean Air Act costs will be recovered.

The EPA and state environmental regulatory agencies are reviewing and evaluating various matters including revisions to the ambient air standards for ozone and particulate matter, emission control strategies for ozone nonattainment areas, additional controls for hazardous air pollutant emissions, and hazardous waste disposal requirements. The impact of new standards will depend on the development and implementation of applicable regulations.

The company must comply with other environmental laws and regulations that cover the handling and disposal of hazardous waste. Under these various laws and regulations, the company could incur costs to clean up properties. The company conducts studies to determine the extent of any required cleanup costs and has recognized in the financial statements costs to clean up known sites.

Several major pieces of environmental legislation are being considered for reauthorization or amendment by Congress. These include the Clean Air Act, the Clean Water Act, the Comprehensive Environmental Response Compensation and Liability Act, the Resource Conservation and Recovery Act, the Toxic Substances Control Act, and the Endangered Species Act. Changes to these laws could affect many areas of Southern Company's operations. The full impact of any such changes cannot be determined at this time.

Compliance with possible additional legislation related to global climate change, electromagnetic fields, and other environmental and health concerns could significantly affect Southern Company. The impact of new legislation -- if any -- will depend on the subsequent development and implementation of applicable regulations. In addition, the potential exists for liability as the result of lawsuits alleging damages caused by electromagnetic fields.

Sources of Capital

It is anticipated that the funds required will be derived from sources in form and quantity similar to those used in the past. To issue additional first mortgage bonds and preferred stock, the company must comply with certain earnings coverage requirements designated in its mortgage indenture and corporate charter. The company's coverages are at a level that would permit any necessary amount of security sales at current interest and dividend rates.

As required by the Nuclear Regulatory Commission and as ordered by the APSC, the company has established external trust funds for nuclear decommissioning costs. In 1994, the company also established an external trust fund for postretirement benefits as ordered by the APSC. The cumulative effect of funding these items over a long period will diminish internally funded capital and may require capital from other sources. For additional information concerning nuclear decommissioning costs, see Note 1 to the financial statements under "Depreciation and Nuclear Decommissioning."

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STATEMENTS OF INCOME

For the Years Ended December 31, 1996, 1995, and 1994
Alabama Power Company 1996 Annual Report

	1996	1995	1994
		(in thousands)	
Operating Revenues (Notes 1, 3 and 7):			
Revenues	$ 2,904,155	$ 2,897,044	$ 2,770,380
Revenues from affiliates	216,620	127,730	164,762
Total operating revenues	3,120,775	3,024,774	2,935,142
Operating Expenses:			
Operation --			
Fuel	877,076	791,819	801,948
Purchased power from non-affiliates	36,813	30,065	15,158
Purchased power from affiliates	91,500	112,826	100,888
Other	505,884	501,876	458,917
Maintenance	258,482	243,218	262,102
Depreciation and amortization	320,102	303,050	292,420
Taxes other than income taxes	186,172	185,620	183,425
Federal and state income taxes (Note 8)	228,108	230,982	224,280
Total operating expenses	2,504,137	2,399,456	2,339,138
Operating Income	616,638	625,318	596,004
Other Income (Expense):			
Allowance for equity funds used during construction (Note 1)	-	1,649	3,239
Income from subsidiary (Note 6)	3,851	4,051	3,588
Charitable foundation	(6,800)	(11,542)	(13,500)
Interest income	28,318	13,768	16,944
Other, net	(39,053)	(21,530)	(30,569)
Income taxes applicable to other income	22,400	14,142	16,834
Income Before Interest Charges and Other	625,354	625,850	592,540
Interest Charges and Other:			
Interest on long-term debt	169,390	180,714	178,045
Allowance for debt funds used during construction (Note 1)	(6,480)	(7,067)	(3,548)
Interest on interim obligations	20,617	16,917	5,939
Amortization of debt discount, premium, and expense, net	9,508	20,259	9,623
Other interest charges	27,510	27,064	19,908
Distributions on preferred securities of Alabama Power Capital Trust I (Note 9)	6,717	-	-
Interest charges and other, net	227,262	237,887	209,967
Net Income	398,092	387,963	382,573
Dividends on Preferred Stock	26,602	27,069	26,235
Net Income After Dividends on Preferred Stock	$ 371,490	$ 360,894	$ 356,338

The accompanying notes are an integral part of these statements

STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 1996, 1995, and 1994
Alabama Power Company 1996 Annual Report

	1996	1995	1994
		(in thousands)	
Operating Activities:			
Net income	$ 398,092	$ 387,963	$ 382,573
Adjustments to reconcile net income to net cash provided by operating activities --			
Depreciation and amortization	383,438	371,382	359,791
Deferred income taxes and investment tax credits	16,785	32,627	(32,613)
Allowance for equity funds used during construction	-	(1,649)	(3,239)
Other, net	21,563	33,244	28,656
Changes in certain current assets and liabilities --			
Receivables, net	3,958	(54,209)	19,390
Inventories	36,234	18,425	(39,946)
Payables	1,006	(63,656)	(21,240)
Taxes accrued	(5,756)	551	6,856
Energy cost recovery, retail	25,771	1,177	16,907
Other	(7,111)	(15,895)	(14,235)
Net cash provided from operating activities	873,780	709,960	703,900
Investing Activities:			
Gross property additions	(425,024)	(551,781)	(536,785)
Other	(61,119)	(53,321)	(26,632)
Net cash used for investing activities	(486,143)	(605,102)	(563,417)
Financing Activities:			
Proceeds:			
Company obligated mandatorily redeemable preferred securities	97,000	-	-
First mortgage bonds	-	-	150,000
Other long-term debt	21,000	131,500	208,720
Retirements			
First mortgage bonds	(83,797)	-	(20,387)
Other long-term debt	(21,907)	(132,291)	(305,380)
Interim obligations, net	(25,163)	210,134	139,882
Payment of preferred stock dividends	(26,665)	(27,118)	(25,431)
Payment of common stock dividends	(347,500)	(285,000)	(268,000)
Miscellaneous	(3,634)	(4,143)	(8,444)
Net cash used for financing activities	(390,666)	(106,918)	(129,040)
Net Change in Cash	(3,029)	(2,060)	11,443
Cash at Beginning of Year	12,616	14,676	3,233
Cash at End of Year	$ 9,587	$ 12,616	$ 14,676
Supplemental Cash Flow Information:			
Cash paid during the year for --			
Interest and other (net of amount capitalized)	$ 193,871	$ 189,268	$ 183,445
Income taxes	195,214	172,777	231,831

( ) Denotes use of cash

The accompanying notes are an integral part of these statements

BALANCE SHEETS

At December 31, 1996 and 1995

Alabama Power Company 1996 Annual Report

ASSETS	1996	1995
		(in thousands)
Utility Plant:		
Plant in service, at original cost (Note 1)	$10,806,921	$10,430,792
Less accumulated provision for depreciation	4,113,622	3,838,093
	6,693,299	6,592,699
Nuclear fuel, at amortized cost	123,862	100,537
Construction work in progress	256,802	362,768
Total	7,073,963	7,056,004
Other Property and Investments:		
Southern Electric Generating Company, at equity (Note 6)	26,032	27,232
Nuclear decommissioning trusts (Note 1)	148,760	108,368
Miscellaneous	20,243	19,156
Total	195,035	154,756
Current Assets:		
Cash	9,587	12,616
Receivables-		
Customer accounts receivable	334,150	355,833
Other accounts and notes receivable	28,524	28,082
Affiliated companies	47,630	41,819
Accumulated provision for uncollectible accounts	(1,171)	(1,212)
Refundable income taxes	5,856	2,635
Fossil fuel stock, at average cost	81,704	106,627
Materials and supplies, at average cost	167,792	179,103
Prepayments	131,870	116,331
Vacation pay deferred	28,369	29,458
Total	834,311	871,292
Deferred Charges:		
Deferred charges related to income taxes (Note 8)	410,010	446,837
Debt expense, being amortized	7,398	7,648
Premium on reacq ed debt, being amortized	84,149	89,967
Uranium enrichment decontamination and decommissioning fund (Note 1)	37,490	40,282
Miscellaneous	91,490	87,574
Total	630,537	662,308
Total Assets	$8,733,846	$8,744,360

The accompanying notes are an integral part of these balance sheets

BALANCE SHEETS

At December 31, 1996 and 1995

Alabama Power Company 1996 Annual Report

CAPITALIZATION AND LIABILITIES	1996	1995
		(in thousands)
Capitalization (See accompanying statements):		
Common stock equity	**$2,714,277**	$2,690,374
Preferred stock	**340,400**	440,400
Company obligated mandatorily redeemable preferred securities of Alabama Power Capital Trust I holding Company Junior Subordinated Notes (Note 9)	**97,000**	-
Long-term debt	**2,354,006**	2,374,948
Total	**5,505,683**	5,505,722
Current Liabilities:		
Preferred stock due within one year (Note 11)	**100,000**	-
Long-term debt due within one year (Note 11)	**20,753**	84 682
Commercial paper	**364,853**	390,016
Accounts payable-		
Affiliated companies	**64,307**	76,326
Other	**182,563**	182,401
Customer deposits	**32,003**	30,353
Taxes accrued-		
Federal and state income	**35,638**	13,599
Other	**15,271**	18,158
Interest accrued	**51,941**	53,527
Vacation pay accrued	**28,369**	29,458
Miscellaneous	**96,485**	70,543
Total	**992,183**	949,063
Deferred Credits and Other Liabilities:		
Accumulated deferred income taxes (Note 8)	**1,177,687**	1,191,591
Accumulated deferred investment tax credits	**294,071**	305,372
Prepaid capacity revenues, net (Note 7)	**122,496**	131,186
Uranium enrichment decontamination and decommissioning fund (Note 1)	**33,741**	36,620
Deferred credits related to income taxes (Note 8)	**364,792**	386,038
Natural disaster reserve (Note 1)	**20,757**	17,959
Miscellaneous	**222,436**	220,809
Total	**2,235,980**	2,289,575
Commitments and Contingent Matters (Notes 1, 3, 4, 5, 6, 7, and 12)		
Total Capitalization and Liabilities	**$8,733,846**	$8,744,360

The accompanying notes are an integral part of these balance sheets

STATEMENTS OF CAPITALIZATION

At December 31, 1996 and 1995

Alabama Power Company 1996 Annual Report

		1996	1995	1996	1995
		(in thousands)		(percent of total)	
Common Stock Equity:					
Common stock, par value $40 per share --					
Authorized -- 6,000,000 shares					
Outstanding -- 5,608,955 shares in 1996 and 1995		$ 224,358	$ 224,358		
Paid-in capital		1,304,645	1,304,645		
Premium on preferred stock		146	146		
Retained earnings (Note 13)		1,185,128	1,161,225		
Total common stock equity		2,714,277	2,690,374	49.3 %	48.9 %
Cumulative Preferred Stock:					
$1 par value --					
Authorized -- 27,500,000 shares					
Outstanding -- 12,020,200 shares:					
$25 stated capital --					
6.40%		50,000	50,000		
6.80%		38,000	38,000		
7.60%		150,000	150,000		
Adjustable rate					
5.17% - at January 1, 1997		50,000	50,000		
$100 stated capital --					
Auction rate - 4.09% at January 1, 1997		50,000	50,000		
$100,000 stated capital --					
Auction rate - 4.01% at January 1, 1997		20,000	20,000		
$100 par value --					
Authorized -- 3,850,000 shares					
Outstanding -- 824,000 shares					
4.20% to 4.52%		41,400	41,400		
4.60% to 4.92%		29,000	29,000		
5.96% to 6.88%		12,000	12,000		
Total cumulative preferred stock (annual dividend requirement -- $26,500,000)		440,400	440,400		
Less amount due within one year (Note 11)		100,000	-		
Cumulative preferred stock excluding amount due within one year		340,400	440,400	6.2	8.0
Company Obligated Mandatorily Redeemable Preferred Securities (Note 9):					
$25 liquidation value -- 7.375%		97,000	-		
Total (annual distribution requirement -- $7,154,000)		97,000	-	1.7	-
Long-Term Debt:					
First mortgage bonds --					
Maturity	Interest Rates				
March 1, 1996	4 1/2%	-	60,000		
February 1, 1998	5 1/2%	50,000	50,000		
August 1, 1999	6 3/8%	170,000	170,000		
March 1, 2000	6%	100,000	100,000		
2002 through 2007	6 3/4% to 7 1/4%	575,000	575,000		
2021 through 2024	7.30% to 9 1/4%	1,021,059	1,044,856		
Total first mortgage bonds		1,916,059	1,999,856		
Pollution control obligations		476,140	476,140		
Other long-term debt		8,056	8,963		
Unamortized debt premium (discount), net		(25,496)	(25,329)		
Total long-term debt (annual interest requirement -- $171,420,000)		2,374,759	2,459,630		
Less amount due within one year (Note 11)		20,753	84,682		
Long-term debt excluding amount due within one year		2,354,006	2,374,948	42.8	43.1
Total Capitalization		$ 5,505,683	$ 5,505,722	100.0 %	100.0 %

The accompanying notes are an integral part of these statements.

STATEMENTS OF RETAINED EARNINGS

For the Years Ended December 31, 1996, 1995, and 1994
Alabama Power Company 1996 Annual Report

	1996	1995	1994
		(in thousands)	
Balance at Beginning of Year	**$ 1,161,225**	$ 1,085,256	$ 997,199
Net income after dividends on preferred stock	**371,490**	360,894	356,338
Cash dividends on common stock	**(347,500)**	(285,000)	(268,000)
Preferred stock transactions, net	**(7)**	-	(118)
Other adjustments to retained earnings	**(80)**	75	(163)
Balance at End of Year (Note 13)	**$ 1,185,128**	$ 1,161,225	$ 1,085,256

The accompanying notes are an integral part of these statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General

Alabama Power Company (the company) is a wholly owned subsidiary of Southern Company, which is the parent company of five operating companies, a system service company, Southern Communications Services (Southern Communications), Southern Energy, Inc. (Southern Energy), Southern Nuclear Operating Company (Southern Nuclear), The Southern Development and Investment Group (Southern Development), and other direct and indirect subsidiaries. The operating companies (Alabama Power Company, Georgia Power Company, Gulf Power Company, Mississippi Power Company, and Savannah Electric and Power Company) provide electric service in four southeastern states. Contracts among the companies -- dealing with jointly-owned generating facilities, interconnecting transmission lines, and the exchange of electric power -- are regulated by the Federal Energy Regulatory Commission (FERC) or the Securities and Exchange Commission (SEC). The system service company provides, at cost, specialized services to Southern Company and subsidiary companies. Southern Communications provides digital wireless communications services to the operating companies and also markets these services to the public within the Southeast. Southern Energy designs, builds, owns and operates power production and delivery facilities and provides a broad range of energy related services in the United States and international markets. Southern Nuclear provides services to Southern Company's nuclear power plants. Southern Development develops new business opportunities related to energy products and services.

Southern Company is registered as a holding company under the Public Utility Holding Company Act of 1935 (PUHCA). Both Southern Company and its subsidiaries are subject to the regulatory provisions of the PUHCA. The company is also subject to regulation by the FERC and the Alabama Public Service Commission (APSC). The company follows generally accepted accounting principles and complies with the accounting policies and practices prescribed by the respective regulatory commissions. The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates, and the actual results may differ from those estimates.

Regulatory Assets and Liabilities

The company is subject to the provisions of Financial Accounting Standards Board (FASB) Statement No. 71, Accounting for the Effects of Certain Types of Regulation. Regulatory assets represent probable future revenues to the company associated with certain costs that are expected to be recovered from customers through the ratemaking process. Regulatory liabilities represent probable future reductions in revenues associated with amounts that are to be credited to customers through the ratemaking process. Regulatory assets and (liabilities) reflected in the Balance Sheets at December 31 relate to:

	1996	1995
	(in thousands)	
Deferred income taxes	$ 410,010	$ 436,837
Premium on reacquired debt	84,149	89,967
Department of Energy assessments	37,490	40,282
Vacation pay	28,369	29,458
Work force reduction costs	45,969	48,402
Deferred income tax credits	(364,792)	(386,038)
Natural disaster reserve	(20,757)	(17,959)
Other, net	45,521	39,172
Total	$ 265,959	$ 280,121

In the event that a portion of the company's operations is no longer subject to the provisions of Statement No. 71, the company would be required to write off related regulatory assets and liabilities. In addition, the company would be required to determine any impairment to other assets, including plant, and write down the assets, if impaired, to their fair value.

Revenues and Fuel Costs

The company accrues revenues for services rendered but unbilled at the end of each fiscal period. Fuel costs are expensed as the fuel is used. The company's electric rates include provisions to adjust billings for fluctuations in fuel and the energy component of purchased power costs. Revenues are adjusted for differences between recoverable fuel costs and amounts actually recovered in current rates.

The company has a diversified base of customers. No single customer or industry comprises 10 percent or more of revenues. In 1996, uncollectible accounts continued to average less than 1 percent of revenues.

Fuel expense includes the amortization of the cost of nuclear fuel and a charge, based on nuclear generation, for the permanent disposal of spent nuclear fuel. Total charges for nuclear fuel included in fuel expense amounted to $64 million in 1996, $54 million in 1995, and $65 million in 1994. The company has a contract with the U.S. Department of Energy (DOE) that provides for the permanent disposal of spent nuclear fuel. Although disposal was scheduled to begin in 1998, the actual year this service will begin is uncertain. Sufficient storage capacity currently is available to permit operation into 2010 and 2013 at Plant Farley units 1 and 2, respectively.

Also, the Energy Policy Act of 1992 required the establishment in 1993 of a Uranium Enrichment Decontamination and Decommissioning Fund, which is to be funded in part by a special assessment on utilities with nuclear plants. This assessment will be paid over a 15-year period, which began in 1993. This fund will be used by the DOE for the decontamination and decommissioning of its nuclear fuel enrichment facilities. The law provides that utilities will recover these payments in the same manner as any other fuel expense. The company estimates its remaining liability at December 31, 1996, under this law to be approximately $37 million. This obligation is recognized in the accompanying Balance Sheets.

Depreciation and Nuclear Decommissioning

Depreciation of the original cost of depreciable utility plant in service is provided primarily by using composite straight-line rates, which approximated 3.3 percent in 1996 and 3.2 percent in 1995 and 1994. When property subject to depreciation is retired or otherwise disposed of in the normal course of business, its cost -- together with the cost of removal, less salvage -- is charged to the accumulated provision for depreciation. Minor items of property included in the original cost of the plant are retired when the related property unit is retired. Depreciation expense includes an amount for the expected cost of decommissioning nuclear facilities and removal of other facilities.

In 1988, the Nuclear Regulatory Commission (NRC) adopted regulations requiring all licensees operating commercial power reactors to establish a plan for providing, with reasonable assurance, funds for decommissioning. The company has established external trust funds to comply with the NRC's regulations. Amounts previously recorded in internal reserves are being transferred into the external trust funds over periods approved by the APSC. The NRC's minimum external funding requirements are based on a generic estimate of the cost to decommission the radioactive portions of a nuclear unit based on the size and type of reactor. The company has filed plans with the NRC to ensure that -- over time -- the deposits and earnings of the external trust funds will provide the minimum funding amounts prescribed by the NRC.

Site study cost is the estimate to decommission the facility as of the site study year, and ultimate cost is the estimate to decommission the facility as of retirement date. The estimated costs of decommissioning -- both site study costs and ultimate costs -- at December 31, 1996, for Plant Farley were as follows:

Site study basis (year)	1993
Decommissioning periods	
Beginning year	2017
Completion year	2029
	(in millions)
Site study costs	
Radiated structures	$ 489
Non-radiated structures	89
Total	$ 578
	(in millions)
Ultimate costs	
Radiated structures	$1,504
Non-radiated structures	274
Total	$1,778
	(in millions)
Amount expensed in 1996	$ 18
Accumulated provisions	
Balance in external trust funds	$149
Balance in internal reserves	47
Total	$196
Significant assumptions	
Inflation rate	4.5%
Trust earning rate	7.0

Annual provisions for nuclear decommissioning are based on an annuity method as approved by the APSC. All of the company's decommissioning costs are approved for ratemaking.

The decommissioning cost estimates are based on prompt dismantlement and removal of the plant from service. The actual decommissioning costs may vary from

the above estimates because of changes in the assumed date of decommissioning, changes in NRC requirements, or changes in the assumptions used in making estimates

Income Taxes

The company uses the liability method of accounting for deferred income taxes and provides deferred income taxes for all significant income tax temporary differences Investment tax credits utilized are deferred and amortized to income over the average lives of the related property

Allowance For Funds Used During Construction (AFUDC)

AFUDC represents the estimated debt and equity costs of capital funds that are necessary to finance the construction of new facilities While cash is not realized currently from such allowance, it increases the revenue requirement over the service life of the plant through a higher rate base and higher depreciation expense The composite rate used to determine the amount of allowance was 5.8 percent in 1996, 7 1 percent in 1995, and 7.9 percent in 1994 AFUDC, net of income tax, as a percent of net income after dividends on preferred stock was 1 1 percent in 1996, 1 7 percent in 1995 and 1 5 percent in 1994

Utility Plant

Utility plant is stated at original cost Original cost includes materials, labor, minor items of property, appropriate administrative and general costs, payroll-related costs such as taxes pensions, and other benefits and the estimated cost of funds used during construction The cost of maintenance repairs and replacement of minor items of property is charged to maintenance expense The cost of replacements of property (exclusive of minor items of property) is charged to utility plant

Financial Instruments

The company's only financial instruments for which the carrying amount did not approximate fair value at December 31 are as follows

	Carrying Amount	Fair Value
	(in millions)	
Long-term debt		
At December 31, 1996	**$2,367**	**$2,420**
At December 31, 1995	$2,451	$2,577
Preferred Securities		
At December 31, 1996	**97**	**94**
At December 31, 1995	-	-

The fair value for long-term debt and preferred securities was based on either closing market prices or closing prices of comparable instruments

Materials and Supplies

Generally, materials and supplies include the cost of transmission, distribution, and generating plant materials Materials are charged to inventory when purchased and then expensed or capitalized to plant, as appropriate, when installed

Natural Disaster Reserve

In September 1994, in response to a request by the company, the APSC issued an order allowing the company to establish a Natural Disaster Reserve Regulatory treatment allows the company to accrue $250 thousand per month, until the maximum accumulated provision of $32 million is attained However, in December 1995, the APSC approved higher accruals to restore the reserve to its authorized level whenever the balance in the reserve declines below $22 4 million

2. RETIREMENT BENEFITS

Pension Plan

The company has a defined benefit, trusteed, non-contributory pension plan that covers substantially all regular employees. Benefits are based on one of the following formulas: years of service and final average pay or years of service and a flat-dollar benefit. The company uses the "entry age normal method with a frozen initial liability" actuarial method for funding purposes, subject to limitations under federal income tax regulations. Amounts funded to the pension trusts are primarily invested in equity and fixed-income securities. FASB Statement No. 87, Employers' Accounting for Pensions, requires use of the "projected unit credit" actuarial method for financial reporting purposes.

Postretirement Benefits

The company also provides certain medical care and life insurance benefits for retired employees. Substantially all employees may become eligible for these benefits when they retire. Amounts funded are primarily invested in debt and equity securities. In December 1993, the APSC issued an accounting policy statement which requires the company to externally fund net annual postretirement benefits.

FASB Statement No. 106, Employers' Accounting for Postretirement Benefits Other Than Pensions, requires that medical care and life insurance benefits for retired employees be accounted for on an accrual basis using a specified actuarial method, "benefit/years-of-service".

Funded Status and Cost of Benefits

The following tables show actuarial results and assumptions for pension and postretirement insurance benefits as computed under the requirements of Statement Nos. 87 and 106, respectively. The funded status of the plans at December 31 was as follows:

	Pension	
	1996	1995
	(in millions)	
Actuarial present value of benefit obligations		
Vested benefits	$ 603	$ 604
Non-vested benefits	30	25
Accumulated benefit obligation	633	629
Additional amounts related to projected salary increases	180	173
Projected benefit obligation	813	802
Less		
Fair value of plan assets	1,334	1,256
Unrecognized net gain	(413)	(331)
Unrecognized prior service cost	46	21
Unrecognized transition asset	(40)	(45)
Prepaid asset recognized in the Balance Sheets	$ 114	$ 93

	Postretirement Benefits	
	1996	1995
	(in millions)	
Actuarial present value of benefit obligation		
Retirees and dependents	$116	$103
Employees eligible to retire	26	31
Other employees	98	104
Accumulated benefit obligation	242	238
Less		
Fair value of plan assets	108	89
Unrecognized net loss	15	23
Unrecognized transition obligation	65	72
Accrued liability recognized in the Balance Sheets	$ 54	$ 54

In 1995, the system companies announced a cost sharing program for postretirement benefits. The program establishes limits on amounts the company will pay to provide future retiree postretirement benefits. This change reduced the 1995 accumulated postretirement benefit obligation by approximately $41 million.

The weighted average rates assumed in the actuarial calculations were

	1996	1995	1994
Discount	7.8%	7.3%	8.0%
Annual salary increase	5.3	4.8	5.5
Long-term return on plan assets	9.5	8.5	8.5

An additional assumption used in measuring the accumulated postretirement benefit obligation was a weighted average medical care cost trend rate of 9.3 percent for 1996, decreasing gradually to 5.8 percent through the year 2005 and remaining at that level thereafter. An annual increase in the assumed medical care cost trend rate of 1 percent would increase the accumulated benefit obligation as of December 31, 1996, by $20 million and the aggregate of the service and interest cost components of the net retiree cost by $2 million.

Components of the plans' net cost are shown below:

	Pension		
	1996	1995	1994
	(in millions)		
Benefits earned during the year	$ 21.5	$ 21.2	$ 20.8
Interest cost on projected benefit obligation	59.5	54.3	51.2
Actual (return) loss on plan assets	(148.9)	(236.3)	23.5
Net amortization and deferral	43.8	136.9	(116.2)
Net pension cost (income)	$ (24.1)	$ (23.9)	$ (20.7)

Of the above net pension income, $20.3 million in 1996, $17.1 million in 1995, and $15.7 million in 1994 were recorded as credits to operating expenses, and the remainder was recorded as credits to construction and other accounts.

	Postretirement Benefits		
	1996	1995	1994
	(in millions)		
Benefits earned during the year	$ 5	$ 7	$ 8
Interest cost on accumulated benefit obligation	17	18	18
Amortization of transition obligation	4	7	6
Actual (return) loss on plan assets	(7)	(10)	1
Net amortization and deferral	2	5	(4)
Net postretirement costs	$21	$27	$29

Of the above net postretirement costs recorded, $17.8 million in 1996, $22.7 million in 1995, and $23 million in 1994 were charged to operating expenses and the remainder was charged to construction and other accounts.

Work Force Reduction Programs

The company has incurred costs for work force reduction programs. The costs related to these programs were $26.7 million, $14.3 million and $8.2 million for the years 1996, 1995 and 1994, respectively. In addition, certain costs of these programs were deferred and are being amortized in accordance with regulatory treatment. The unamortized balance of these costs was $46.6 million at December 31, 1996.

3. LITIGATION AND REGULATORY MATTERS

Retail Rate Adjustment Procedures

In November 1982, the APSC adopted rates that provide for periodic adjustments based upon the company's earned return on end-of-period retail common equity. The rates also provide for adjustments to recognize the placing of new generating facilities in retail service. Both increases and decreases have been placed into effect since the adoption of these rates. The rate adjustment procedures allow a return on common equity range of 13.0 percent to 14.5 percent and limit increases or decreases in rates to 4 percent in any calendar year.

In June 1995, the APSC issued a rate order granting the company's request for gradual adjustments to move toward parity among customer classes. This order also calls for a

moratorium on any periodic retail rate increases (but not decreases) until July 2001.

In December 1995, the APSC issued an order authorizing the company to reduce balance sheet items -- such as plant and deferred charges -- at any time the company's actual base rate revenues exceed the budgeted revenues.

The ratemaking procedures will remain in effect until the APSC votes to modify or discontinue them.

Appliance Warranty Litigation

In 1996, legal actions against the company were filed in several counties in Alabama charging the company with fraud and non-compliance with regulatory statutes relating to the offer, sale, and financing of "extended service contracts" in connection with the sale of electric appliances. Some of these suits were filed as class actions, while others were filed on behalf of multiple individual plaintiffs. The plaintiffs seek damages for an unspecified amount. The company has offered extended service agreements to its customers since January 1984, and approximately 175,000 extended service agreements could be involved in these proceedings. The final outcome of these cases cannot now be determined.

FERC Reviews Equity Returns

In May 1991, the FERC ordered that hearings be conducted concerning the reasonableness of the operating companies' wholesale rate schedules and contracts that have a return on common equity of 13.75 percent or greater. The contracts that could be affected by the hearings include substantially all of the transmission, unit power, long-term power and other similar contracts.

In August 1992, a FERC administrative law judge issued an opinion that changes in rate schedules and contracts were not necessary and that the FERC staff failed to show how any changes were in the public interest. The FERC staff has filed exceptions to the administrative law judge's opinion, and the matter remains pending before the FERC.

In August 1994, the FERC instituted another proceeding based on substantially the same issues as in the 1991 proceeding. In November 1995, a FERC administrative law judge issued an opinion that the FERC staff failed to meet its burden of proof, and therefore, no change in the equity return was necessary. The FERC staff has filed exceptions to the administrative law judge's opinion, and the matter is pending before the FERC.

If the rates of return on common equity recommended by the FERC staff were applied to all of the schedules and contracts involved in both proceedings, as well as certain other contracts that reference these proceedings in determining return on common equity, and if refunds were ordered, the amount of refunds could range up to approximately $160 million at December 31, 1996 for Southern Company, of which the company's portion would be approximately $76 million. However, management believes that rates are not excessive, and that refunds are not justified.

4. CAPITAL BUDGET

The company's capital expenditures are currently estimated to total $425 million in 1997, $519 million in 1998, and $622 million in 1999. The capital budget is subject to periodic review and revision, and actual capital cost incurred may vary from the above estimates because of numerous factors. These factors include: changes in business conditions, revised load growth projections, changes in environmental regulations, changes in the existing nuclear plant to meet new regulatory requirements, increasing costs of labor, equipment, and materials, and cost of capital. At December 31, 1996, significant purchase commitments were outstanding in connection with the construction program. The company has entered into agreements with two of its industrial customers to locate cogeneration facilities at their premises. These facilities will provide process steam to the respective customers concurrent with the production of electricity for use on the company's electric system. Each facility, which is primarily composed of a combustion turbine, will have approximately 100 megawatts of electric capacity and will serve as a base load resource for the company. These facilities are expected to be placed in service in 1999 at a total cost of approximately $90 million. In addition, significant construction will continue related to transmission and distribution facilities and the upgrading of generating plants.

5. FINANCING, INVESTMENT, AND COMMITMENTS

General

To the extent possible, the company's construction program is expected to be financed primarily from internal sources. Short-term debt is often utilized and the amounts available are discussed below. The company may issue additional long-term debt and preferred securities for the purposes of debt maturities, redeeming higher-cost securities, and meeting additional capital requirements.

Financing

The ability of the company to finance its capital budget depends on the amount of funds generated internally and the funds it can raise by external financing. The company's primary sources of external financing are sales of first mortgage bonds and preferred stock to the public and receipt of additional paid-in capital from Southern Company. In order to issue additional first mortgage bonds and preferred stock, the company must comply with certain earnings coverage requirements contained in its mortgage indenture and corporate charter. The most restrictive of these provisions requires, for the issuance of additional first mortgage bonds, that before-income-tax earnings, as defined, cover pro forma annual interest charges on outstanding first mortgage bonds at least twice, and for the issuance of additional preferred stock, that gross income available for interest cover pro forma annual interest charges and preferred stock dividends at least one and one-half times. The company's coverages are currently at a level that would permit any necessary amount of security sales at current interest and dividend rates.

Bank Credit Arrangements

The company, along with Southern Company and Georgia Power Company, has entered into agreements with several banks outside the service area to provide $400 million of revolving credit to the companies through June 30, 1999. To provide liquidity support for commercial paper programs, the company and Georgia Power Company have exclusive right to $135 million and $165 million, respectively, of the available credit. However, the allocations can be changed among the borrowers by notifying the respective banks. The companies have the option of converting the short-term borrowings into term loans, payable in 12 equal quarterly installments, with the first installment due at the end of the first calendar quarter after the applicable termination date or at an earlier date at the companies' option. In addition, these agreements require payment of commitment fees based on the unused portions of the commitments or the maintenance of compensating balances with the banks.

Additionally, the company maintains committed lines of credit in the amount of $680 million (including $208 million of such lines under which borrowings may be made only to fund purchase obligations relating to variable rate pollution control bonds) which expire at various times during 1997 and, in certain cases, provide for average annual compensating balances. Because the arrangements are based on an average balance, the company does not consider any of its cash balances to be restricted as of any specific date. Moreover, the company borrows from time to time pursuant to arrangements with banks for uncommitted lines of credit.

At December 31, 1996, the company had regulatory approval to have outstanding up to $750 million of short-term borrowings.

Assets Subject to Lien

The company's mortgage, as amended and supplemented, securing the first mortgage bonds issued by the company, constitutes a direct lien on substantially all of the company's fixed property and franchises.

Fuel Commitments

To supply a portion of the fuel requirements of its generating plants, the company has entered into various long-term commitments for the procurement of fossil and nuclear fuel. In most cases, these contracts contain provisions for price escalations, minimum purchase levels and other financial commitments. Total estimated long-term obligations at December 31, 1996, were as follows:

Year	Amounts (in millions)
1997	$ 808
1998	770
1999	569
2000	300
2001	317
2002 - 2013	2,594
Total commitments	$5,358

Operating Leases

The company has entered into coal rail car rental agreements with various terms and expiration dates. At December 31, 1996, estimated minimum rental commitments for noncancellable operating leases were as follows:

Year	Amounts (in millions)
1997	$ 3
1998	3
1999	3
2000	3
2001	3
2002 - 2017	53
Total minimum payments	$68

6. JOINT OWNERSHIP AGREEMENTS

The company and Georgia Power Company own equally all of the outstanding capital stock of Southern Electric Generating Company (SEGCO), which owns electric generating units with a total rated capacity of 1,020 megawatts, together with associated transmission facilities. The capacity of these units is sold equally to the company and Georgia Power Company under a contract which, in substance, requires payments sufficient to provide for the operating expenses, taxes, interest expense and a return on equity, whether or not SEGCO has any capacity and energy available. The company's share of expenses totaled $75 million in 1996, $71 million in 1995 and $74 million in 1994, and is included in "Purchased power from affiliates" in the Statements of Income.

In addition, the company has guaranteed unconditionally the obligation of SEGCO under an installment sale agreement for the purchase of certain pollution control facilities at SEGCO's generating units, pursuant to which $24.5 million principal amount of pollution control revenue bonds are outstanding. Georgia Power Company has agreed to reimburse the company for the pro rata portion of such obligation corresponding to its then proportionate ownership of stock of SEGCO if the company is called upon to make such payment under its guaranty.

At December 31, 1996, the capitalization of SEGCO consisted of $52 million of equity and $76 million of long-term debt on which the annual interest requirement is $4.7 million. SEGCO paid dividends totaling $10.1 million in 1996, $7.6 million in 1995, and $11.6 million in 1994, of which one-half of each was paid to the company. SEGCO's net income was $7.7 million, $8.1 million, and $7.2 million for 1996, 1995 and 1994, respectively.

The company's percentage ownership and investment in jointly-owned generating plants at December 31, 1996, follows:

Facility (Type)	Total Megawatt Capacity	Company Ownership	
Greene County (coal)	500	60.00%	(1)
Plant Miller Units 1 and 2 (coal)	1,320	91.84%	(2)

(1) Jointly owned with an affiliate, Mississippi Power Company.
(2) Jointly owned with Alabama Electric Cooperative, Inc.

Facility	Company Investment	Accumulated Depreciation
	(in millions)	
Greene County	$ 90	$ 40
Plant Miller Units 1 and 2	714	296

7. LONG-TERM POWER SALES AGREEMENTS

General

The company and the operating affiliates of Southern Company have entered into long-term contractual agreements for the sale of capacity and energy to certain non-affiliated utilities located outside the system's service area. The agreements for non-firm capacity expired in 1994. Other agreements -- expiring at various dates discussed below -- are firm and pertain to capacity related to specific generating units. Because the energy is generally sold at cost under these agreements, profitability is primarily affected by revenues from capacity sales. The company's capacity revenues have been as follows:

Year	Unit Power	Other Long-Term	Total
		(in millions)	
1996	$151	$ -	$151
1995	157	-	157
1994	152	7	159

Unit power from Plant Miller is being sold to Florida Power Corporation (FPC), Florida Power & Light Company (FP&L), Jacksonville Electric Authority (JEA) and the City of Tallahassee, Florida. Under these agreements, approximately 1,200 megawatts of capacity is scheduled to be sold through 1999. Thereafter, these sales will remain at that approximate level -- unless reduced by FP&L, FPC, and JEA for the periods after 1999 with a minimum of three years notice -- until the expiration of the contracts in 2010.

Alabama Municipal Electric Authority (AMEA) Capacity Contracts

In August 1986, the company entered into a firm power purchase contract with AMEA entitling AMEA to scheduled amounts of capacity (to a maximum 100 megawatts) for a period of 15 years commencing September 1, 1986 (1986 Contract). In October 1991, the company entered into a second firm power purchase contract with AMEA entitling AMEA to scheduled amounts of additional capacity (to a maximum 80 megawatts) for a period of 15 years commencing October 1, 1991 (1991 Contract). In both contracts the power will be sold to AMEA for its member municipalities that previously were served directly by the company as wholesale customers. Under the terms of the contracts, the company received payments from AMEA representing the net present value of the revenues associated with the respective capacity entitlements, discounted at effective annual rates of 9.96 percent and 11.19 percent for the 1986 and 1991 contracts, respectively. These payments are being recognized as operating revenues and the discounts are being amortized to other interest expense as scheduled capacity is made available over the terms of the contracts.

In order to secure AMEA's advance payments and the company's performance obligation under the contracts, the company issued and delivered to an escrow agent first mortgage bonds representing the maximum amount of liquidated damages payable by the company in the event of a default under the contracts. No principal or interest is payable on such bonds unless and until a default by the company occurs. As the liquidated damages decline under the contracts, a portion of the bonds equal to the decreases are returned to the company. At December 31, 1996, $128.2 million of such bonds was held by the escrow agent under the contracts.

8. INCOME TAXES

At December 31, 1996, the tax-related regulatory assets and liabilities were $410 million and $365 million, respectively. These assets are attributable to tax benefits flowed through to customers in prior years and to taxes applicable to capitalized AFUDC. These liabilities are attributable to deferred taxes previously recognized at rates higher than current enacted tax law and to unamortized investment tax credits.

Details of the federal and state income tax provisions are as follows:

	1996	1995	1994
	(in thousands)		
Total provision for income taxes			
Federal --			
Currently payable	$172,911	$166,105	$219,494
Deferred --			
current year	(6,309)	43,493	(48,153)
reversal of prior years	18,948	(15,817)	15,932
Deferred investment tax credits	-	(75)	(1)
	185,550	193,706	187,272
State --			
Currently payable	16,212	18,108	20,565
Deferred --			
current year	697	5,117	(4,067)
reversal of prior years	3,249	(91)	3,676
	20,158	23,134	20,174
Total	205,708	216,840	207,446
Less income taxes credited to other income	(22,400)	(14,142)	(16,834)
Total income taxes charged to operations	$228,108	$230,982	$224,280

The tax effects of temporary differences between the carrying amounts of assets and liabilities in the financial

statements and their respective tax bases, which give rise to deferred tax assets and liabilities, are as follows

	1996	1995
	(in millions)	
Deferred tax liabilities:		
Accelerated depreciation	$ 816	$ 780
Property basis differences	466	491
Premium on reacquired debt	31	31
Other	51	42
Total	1,364	1,344
Deferred tax assets:		
Capacity prepayments	34	35
Other deferred costs	27	26
Postretirement benefits	21	25
Unbilled revenue	15	13
Other	54	43
Total	151	142
Net deferred tax liabilities	1,213	1,202
Portion included in current assets (liabilities), net	(35)	(10)
Accumulated deferred income taxes in the Balance Sheets	$1,178	$1,192

Deferred investment tax credits are amortized over the life of the related property with such amortization normally applied as a credit to reduce depreciation in the Statements of Income. Credits amortized in this manner amounted to $11 million in 1996, $12 million in 1995, and $13 million in 1994. At December 31, 1996, all investment tax credits available to reduce federal income taxes payable had been utilized.

A reconciliation of the federal statutory income tax rate to the effective income tax rate is as follows

	1996	1995	1994
Federal statutory rate	35.0%	35.0%	35.0%
State income tax, net of federal deduction	2.2	2.5	2.2
Non-deductible book depreciation	1.5	1.6	1.6
Differences in prior years' deferred and current tax rates	(1.6)	(1.8)	(2.9)
Other	(3.0)	(1.4)	(0.7)
Effective income tax rate	34.1%	35.9%	35.2%

Southern Company files a consolidated federal income tax return. Under a joint consolidated income tax agreement, each subsidiary's current and deferred tax expense is computed on a stand-alone basis. Tax benefits from losses of the parent company are allocated to each subsidiary based on the ratio of taxable income to total consolidated taxable income.

9. COMPANY OBLIGATED MANDATORILY REDEEMABLE PREFERRED SECURITIES

In January 1996, Alabama Power Capital Trust I (Trust I), of which the company owns all of the common securities, issued $97 million of 7.375 percent mandatorily redeemable preferred securities. Substantially all of the assets of Trust I are $100 million aggregate principal amount of the company's 7.375 percent junior subordinated notes due March 31, 2026.

In January 1997, Alabama Power Capital Trust II (Trust II), of which the company also owns all of the common securities, issued $200 million of 7.60 percent mandatorily redeemable preferred securities. Substantially all of the assets of Trust II are $206 million aggregate principal amount of the company's 7.60 percent junior subordinated notes due December 31, 2036. A portion of the proceeds of the January 1997 issuance will be used for the redemption of $100 million of preferred stock in February 1997.

10. OTHER LONG-TERM DEBT

Details of other long-term debt at December 31 are as follows

	1996	1995
	(in thousands)	
Obligations incurred in connection with the sale of tax-exempt pollution control revenue bonds by public authorities-		
Collateralized -		
5.5% to 6.5 % due 2023-2024	$223,040	$223,040
Variable rates (4.15% to 5.0% at 1/1/97) due 2015-2017	89,800	89,800
Non-collateralized -		
7.25% due 2003	1,000	1,000
7.4% due 2016	-	21,000
5.8% due 2022	9,800	9,800
Variable rates (4.65% to 5.1% at 1/1/97) due 2021 - 2022	152,500	131,500
	476,140	476,140
Capitalized lease obligations	8,056	8,963
Total	$484,196	$485,103

Pollution control obligations represent installment purchases of pollution control facilities financed by funds derived from sales by public authorities of revenue bonds The company is required to make payments sufficient for the authorities to meet principal and interest requirements of such bonds With respect to $312.8 million of such pollution control obligations, the company has authenticated and delivered to the trustees a like principal amount of first mortgage bonds as security for its obligations under the installment purchase agreements No principal or interest on these first mortgage bonds is payable unless and until a default occurs on the installment purchase agreements

The estimated aggregate annual maturities of other long-term debt through 2001 are as follows $1.0 million in 1997, $1.0 million in 1998, $1.2 million in 1999, $1.1 million in 2000 and $1.0 million in 2001

11. SECURITIES DUE WITHIN ONE YEAR

A summary of the improvement fund requirements and scheduled maturities and redemptions of long-term debt and preferred stock due within one year at December 31 is as follows

	1996	1995
	(in thousands)	
Bond improvement fund requirements	$ 19,410	$ 20,047
First mortgage bond maturities and redemptions	391	63,750
Other long-term debt maturities (Note 10)	952	885
Total long-term debt due within one year	20,753	84,682
Preferred stock to be reacquired	100,000	-
Total	$ 120,753	$ 84,682

The annual first mortgage bond improvement fund requirement is 1 percent of the aggregate principal amount of bonds of each series authenticated, so long as a portion of that series is outstanding, and may be satisfied by the deposit of cash and/or reacquired bonds, the certification of unfunded property additions or a combination thereof The 1997 requirement of $19.4 million was satisfied by the deposit of cash in 1997, all of which was used for the redemption of outstanding first mortgage bonds Also in early 1997, the company redeemed $391 thousand first mortgage bonds and announced the February 1997 redemption of $100 million preferred stock The preferred stock will be redeemed with a portion of the proceeds from the January 1997 Trust II security issuance Scheduled maturities amount to $952 thousand in connection with capitalized office building leases and a street light lease

12. NUCLEAR INSURANCE

Under the Price-Anderson Amendments Act of 19.. (Act), the company maintains agreements of indemnity with the NRC that, together with private insurance, cover third-party liability arising from any nuclear incident occurring at Plant Farley The Act provides funds up to $8.9 billion for public liability claims that could arise from a single nuclear incident Plant Farley is insured against this liability to a maximum of $2.00 million by private insurance, with the remaining coverage provided by a mandatory program of deferred premiums which could be assessed, after a nuclear incident, against all owners of

nuclear reactors The company could be assessed up to $79 million per incident for each licensed reactor it operates but not more than an aggregate of $10 million per incident to be paid in a calendar year for each reactor Such maximum assessment, excluding any applicable state premium taxes, for the company is $159 million per incident but not more than an aggregate of $20 million to be paid for each incident in any one year

The company is a member of Nuclear Mutual Limited (NML), a mutual insurer established to provide property damage insurance in an amount up to $500 million for members' nuclear generating facilities. The members are subject to a retrospective premium assessment in the event that losses exceed accumulated reserve funds The company's maximum annual assessment per incident is limited to $9 million under the current policy

Additionally, the company has policies that currently provide decontamination, excess property insurance, and premature decommissioning coverage up to $2 25 billion for losses in excess of the $500 million NML coverage This excess insurance is provided by Nuclear Electric Insurance Limited (NEIL), a mutual insurance company

NEIL also covers the additional cost that would be incurred in obtaining replacement power during a prolonged accidental outage at a member's nuclear plant Members can be insured against increased cost of replacement power in an amount up to $3 5 million per week (starting 21 weeks after the outage) for one year and up to $2 8 million per week for the second and third years

Under each of the NEIL policies, members are subject to assessments if losses each year exceed the accumulated funds available to the insurer under that policy The maximum annual assessments per incident under current policies for the company would be $15 million for excess property damage and $8 million for replacement power

For all on-site property damage insurance policies for commercial nuclear power plants, the NRC requires that the proceeds of such policies issued or renewed on or after April 2, 1991, shall be dedicated first for the sole purpose of placing the reactor in a safe and stable condition after an accident Any remaining proceeds are to be applied next toward the costs of decontamination and debris removal operations ordered by the NRC, and any further remaining proceeds are to be paid either to the company or to its bond trustees as may be appropriate under the policies and applicable trust indentures

The company participates in an insurance program for nuclear workers that provides coverage for worker tort claims filed for bodily injury caused at commercial nuclear power plants In the event that claims for this insurance exceed the accumulated reserve funds, the company could be subject to a maximum total assessment of $6 million

All retrospective assessments, whether generated for liability, property or replacement power may be subject to applicable state premium taxes

13. COMMON STOCK DIVIDEND RESTRICTIONS

The company's first mortgage bond indenture contains various common stock dividend restrictions that remain in effect as long as the bonds are outstanding At December 31, 1996, retained earnings of $796 million was restricted against the payment of cash dividends on common stock under terms of the mortgage indenture Supplemental indentures in connection with future first mortgage bond issues may contain more stringent common stock dividend restrictions than those currently in effect

14. QUARTERLY FINANCIAL INFORMATION (Unaudited)

Summarized quarterly financial data for 1996 and 1995 are as follows

Quarter Ended	Operating Revenues	Operating Income	Net Income After Dividends on Preferred Stock
	(in thousands)		
March 1996	$732,809	$142,052	$ 73,159
June 1996	779,587	151,673	95,778
September 1996	913,308	222,523	152,589
December 1996	695,071	100,390	49,964
March 1995	$646,771	$122,949	$ 65,328
June 1995	753,053	147,585	88,926
September 1995	938,284	233,322	167,938
December 1995	686,666	111,362	38,702

The company's business is influenced by seasonal weather conditions

	1996	1995	1994
Operating Revenues (in thousands)	**$3,120,775**	$3,024,774	$2,935,142
Net Income after Dividends on Preferred Stock (in thousands)	**$371,490**	$360,894	$356,338
Cash Dividends on Common Stock (in thousands)	**$347,500**	$285,000	$268,000
Return on Average Common Equity (percent)	**13.75**	13.61	13.86
Total Assets (in thousands)	**$8,733,846**	$8,744,360	$8,459,217
Gross Property Additions (in thousands)	**$425,024**	$551,781	$536,785
Capitalization (in thousands):			
Common stock equity	**$2,714,277**	$2,690,374	$2,614,405
Preferred stock	**340,400**	440,400	440,400
Preferred stock subject to mandatory redemption	**-**	-	-
Subsidiary obligated mandatorily redeemable preferred securities	**97,000**	-	-
Long-term debt	**2,354,006**	2,374,948	2,455,013
Total (excluding amounts due within one year)	**$5,505,683**	$5,505,722	$5,509,818
Capitalization Ratios (percent):			
Common stock equity	**49.3**	48.9	47.4
Preferred stock	**6.2**	8.0	8.0
Company obligated mandatorily redeemable preferred securities	**1.7**	-	-
Long-term debt	**42.8**	43.1	44.6
Total (excluding amounts due within one year)	**100.0**	100.0	100.0
First Mortgage Bonds (in thousands):			
Issued	**-**	-	150,000
Retired	**83,797**	-	20,387
Company Obligated Mandatorily Redeemable Preferred Securities (in thousands):			
Issued	**97,000**	-	-
Preferred Stock (in thousands):			
Issued	**-**	-	-
Retired	**-**	-	-
Security Ratings:			
First Mortgage Bonds -			
Moody's	**A1**	A1	A1
Standard and Poor's	**A+**	A+	A
Duff & Phelps	**AA-**	A+	A+
Preferred Stock -			
Moody's	**a2**	a2	a2
Standard and Poor's	**A**	A	A-
Duff & Phelps	**A+**	A	A-
Customers (year-end):			
Residential	**1,073,559**	1,058,197	1,042,974
Commercial	**171,827**	166,480	162,239
Industrial	**5,100**	5,338	5,341
Other	**732**	725	716
Total	**1,251,218**	1,230,740	1,211,270
Employees (year-end)	**6,865**	7,261	7,996

1993	1992	1991	1990	1989	1988	1987	1986
$3,007,609	$2,846,840	$2,846,794	$2,722,424	$2,629,354	$2,476,626	$2,574,634	$2,549,574
$346,494	$338,555	$339,666	$312,803	$311,146	$283,475	$257,239	$273,456
$252,900	$273,300	$232,900	$220,800	$217,300	$212,700	$201,100	$191,300
13.94	14.02	14.55	14.00	14.53	14.03	13.56	15.12
$8,248,683	$6,593,618	$6,549,462	$6,362,293	$6,279,431	$6,180,945	$5,912,000	$5,570,653
$435,843	$367,463	$397,011	$444,680	$459,199	$643,892	$600,589	$553,767
$2,526,348	$2,443,493	$2,387,198	$2,280,590	$2,188,811	$2,094,815	$1,946,747	$1,847,608
440,400	489,400	484,400	484,400	484,400	484,400	384,400	384,400
-	-	-	12,500	17,500	22,500	27,500	30,000
-	-	-	-	-	-	-	-
2,362,852	2,202,473	2,382,635	2,397,931	2,435,129	2,496,492	2,386,258	2,210,108
$5,329,600	$5,135,366	$5,254,233	$5,175,421	$5,125,840	$5,098,207	$4,744,905	$4,472,116
47.4	47.6	45.4	44.1	42.7	41.1	41.0	41.3
8.3	9.5	9.2	9.6	9.8	9.9	8.7	9.3
-	-	-	-	-	-	-	-
44.3	42.9	45.4	46.3	47.5	49.0	50.3	49.4
100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
860,000	745,000	250,000	-	-	150,000	200,000	125,000
699,788	931,797	227,695	33,122	75,650	42,445	108,082	405,705
-	-	-	-	-	-	-	-
158,000	150,000	-	-	-	100,000	-	-
207,000	145,000	17,500	5,000	5,000	2,500	5,000	42,224
A1	A1	A1	A1	A1	A1	A1	A1
A	A	A	A	A	A	A	A
A+	A	A	A	A	6	6	6
a2	a2	a2	a2	a2	a2	a2	a2
A-	A-	A-	A-	A-	A-	A-	A-
A-	A-	A-	A-	A-	7	7	7
1,027,130	1,012,294	997,585	985,566	974,622	964,581	950,101	934,798
157,337	152,530	148,228	144,340	141,265	137,955	134,533	130,540
5,391	5,434	5,496	5,322	5,200	5,120	4,955	4,725
713	704	697	690	684	678	713	697
1,190,571	1,170,962	1,152,006	1,135,918	1,121,771	1,108,334	1,090,302	1,070,760
8,009	8,116	8,513	9,473	9,698	10,302	10,457	10,367

SELECTED FINANCIAL AND OPERATING DATA (continued)

	1996	1995	1994
Operating Revenues (in thousands):			
Residential	$998,806	$997,069	$913,146
Commercial	696,453	670,453	647,202
Industrial	759,628	805,596	803,587
Other	13,729	13,619	13,515
Total retail	2,468,616	2,486,737	2,377,450
Sales for resale - non-affiliates	391,669	370,140	354,760
Sales for resale - affiliates	216,620	127,730	164,762
Total revenues from sales of electricity	3,076,905	2,984,607	2,896,972
Other revenues	43,870	40,167	38,170
Total	$3,120,775	$3,024,774	$2,935,142
Kilowatt-Hour Sales (in thousands):			
Residential	14,593,761	14,383,231	13,183,147
Commercial	10,904,476	10,043,220	9,645,798
Industrial	19,999,258	19,862,577	19,479,364
Other	192,573	186,848	184,877
Total retail	45,690,068	44,475,876	42,494,186
Sales for resale - non-affiliates	9,491,237	8,046,189	6,775,176
Sales for resale - affiliates	10,292,066	6,705,174	8,432,533
Total	65,473,371	59,227,239	57,701,894
Average Revenue Per Kilowatt-Hour (cents):			
Residential	6.84	6.93	6.93
Commercial	6.39	6.68	6.71
Industrial	3.80	4.06	4.13
Total retail	5.40	5.59	5.59
Sales for resale	3.07	3.38	3.42
Total sales	4.70	5.04	5.02
Residential Average Annual Kilowatt-Hour Use Per Customer	13,705	13,686	12,746
Residential Average Annual Revenue Per Customer	$937.95	$948.71	$882.88
Plant Nameplate Capacity Ratings (Note 1) (year-end) (megawatts)	11,151	10,831	10,431
Territorial Peak-Hour Demand (megawatts) (Note 2):			
Winter	8,413	7,958	8,217
Summer	9,912	10,090	9,028
Annual Load Factor (percent) (Note 2)	61.3	59.2	62.2
Plant Availability (percent):			
Fossil-steam	86.6	88.3	86.9
Nuclear	90.5	81.1	92.5
Source of Energy Supply (percent):			
Coal	67.0	67.1	62.9
Nuclear	18.5	17.1	21.7
Hydro	7.1	7.0	8.4
Oil and gas	0.4	0.4	*
Purchased power -			
From non-affiliates	2.4	2.7	1.3
From affiliates	4.6	5.7	5.7
Total	100.0	100.0	100.0
Total Fuel Economy Data (Note 1):			
BTU per net kilowatt-hour generated	10,035	10,035	9,961
Cost of fuel per million BTU (cents)	147.09	148.68	157.62
Average cost of fuel per net kilowatt-hour generated (cents)	1.48	1.49	1.57

Notes

(1) Generating capacity and fuel data includes Alabama Power Company's 50% portion of SEGCO.

(2) Includes Southeastern Power Administration allotment.

* Less than one-tenth of one percent

SELECTED FINANCIAL AND OPERATING DATA (continued)

1993	1992	1991	1990	1989	1988	1987	1986
$947,277	$845,660	$864,347	$825,645	$781,982	$761,805	$759,957	$738,864
634,895	589,816	582,730	551,634	533,487	510,910	501,088	481,676
832,938	800,311	790,224	777,580	762,274	738,755	721,298	705,395
13,344	12,734	12,662	12,103	11,743	11,255	10,968	10,811
2,428,454	2,248,521	2,249,963	2,166,962	2,089,486	2,022,725	1,993,311	1,936,746
364,105	407,791	407,912	434,996	409,202	355,362	443,880	472,938
181,975	158,088	159,375	93,473	104,488	76,691	118,746	120,911
2,974,534	2,814,400	2,817,250	2,695,431	2,603,176	2,454,778	2,555,937	2,530,595
33,075	32,440	29,544	26,993	26,178	21,848	18,697	18,979
$3,007,609	$2,846,840	$2,846,794	$2,722,424	$2,629,354	$2,476,626	$2,574,634	$2,549,574
13 185,062	12,069,268	12,324,898	11,996,794	11,346,736	11,332,285	11,149,225	10,606,698
9,185,462	8,629,869	8,526,131	8,201,534	7,915,685	7,711,092	7,476,924	7,015,589
18,595,237	18,260,274	17,511,579	17,713,153	17,360,791	16,881,342	15,969,075	15 925,806
181,673	176,798	174,760	170,420	166,485	165,122	159,422	153,282
41,147,434	39,136,209	38,537,368	38,081,901	36,789,697	36,089,841	34,754,646	32,801,375
7,143,672	8,382,571	8,810,442	10,277,060	10,292,329	7,905,750	10,523,554	9,064,049
8,081,324	7,210,697	7,784,285	4,519,275	5,048,743	3,551,142	4,963,997	4,456,360
56,372,430	54,729,477	55,132,095	52,878,236	52,130,769	47,546,733	50,242,197	46,321,784
7 18	7.01	7.01	6 88	6 89	6 72	6 82	6 97
6 91	6.83	6 83	6 73	6 74	6 63	6 70	6 87
4.48	4 38	4 51	4 39	4 39	4 38	4 52	4 69
5 90	5 75	5 84	5 69	5 68	5 60	5 74	5 90
3 59	3.63	3 42	3 57	3 35	3 77	3 6.	4 39
5 28	5 14	5 11	5.10	4 99	5 16	5 09	5 46
12,936	12,017	12,435	12,256	11,717	11,839	11,849	11,457
$929 36	$842 00	$872 04	$843 50	$807 50	$795 84	$807 61	$798 09
10,431	10,431	10,539	9,879	9,879	9,279	9,337	9,337
7,152	7,077	6,586	6,293	7,264	6,377	6,138	6,257
9,457	8,801	8,627	8,878	8,256	7,991	7,886	7,892
58 6	59 6	59 9	57 4	59 5	59 6	58 3	56 2
89 7	88.9	93 1	92 2	90 7	91 3	90 2	88 5
86 6	80 2	87 0	86 5	83 1	91 9	83 3	83 8
63 9	64 3	61 5	57 0	54 1	53 9	52 5	58 8
20 1	19 0	20 8	21 6	21 0	26 1	21 7	23 8
6 9	8 5	8 2	8 7	11 0	4 8	6 3	4 2
*	*	*	0 1	0 1	0 1	0 2	0 1
1 1	1 2	1 6	0 9	1 8	0 5	0 2	2 0
8 0	7 0	7 9	11 7	12 0	14 6	19 1	11 1
100 0	100.0	100 0	100 0	100 0	100 0	100 0	100 0
10,003	10,000	9,985	10,072	10,061	10,137	10,214	10,209
173 66	164 57	170 49	171 55	172 20	168 21	176 72	179 65
1 74	1 65	1 70	1 73	1 73	1 71	1 80	1 83

STATEMENTS OF INCOME
Alabama Power Company

For the Years Ended December 31, (Thousands of Dollars)	1996*	1995*	1994*
Operating Revenues:			
Revenues	$ 2,904,155	$ 2,897,044	$ 2,770,380
Revenues from affiliates	216,620	127,730	164,762
Total operating revenues	3,120,775	3,024,774	2,935,142
Operating Expenses:			
Operation --			
Fuel	877,076	791,819	801,948
Purchased power from non-affiliates	36,813	30,065	15,158
Purchased power from affiliates	91,500	112,826	100,888
Proceeds from settlement of disputed contracts	-	-	-
Other	505,884	501,876	458,917
Maintenance	258,482	243,218	262,102
Depreciation and amortization	320,102	303,050	292,420
Taxes other than income taxes	186,172	185,620	187,425
Federal and state income taxes	228,108	230,982	224,280
Total operating expenses	2,504,137	2,399,456	2,339,138
Operating Income	616,638	625,318	596,004
Other Income (Expense):			
Allowance for equity funds used during construction	-	1,649	3,239
Income from subsidiary	3,851	4,051	3,588
Charitable foundation	(6,800)	(11,542)	(13,500)
Interest income	28,318	13,768	16,944
Other, net	(39,053)	(21,536)	(30,569)
Income taxes applicable to other income	22,400	14,142	16,834
Income Before Interest Charges	625,354	625,850	592,540
Interest Charges:			
Interest on long-term debt	169,390	180,714	178,045
Allowance for debt funds used during construction	(6,480)	(7,067)	(3,548)
Interest on interim obligations	20,617	16,917	5,939
Amortization of debt discount, premium, and expense, net	9,508	20,259	9,623
Other interest charges	27,510	27,064	19,908
Distributions on preferred securities of Alabama Power Capital Trust I	6,717	-	-
Net interest charges	227,262	237,887	209,967
Net Income	398,092	387,963	382,573
Dividends on Preferred Stock	26,602	27,069	26,235
Net Income After Dividends on Preferred Stock	$ 371,490	$ 360,894	$ 356,338

* Includes the effect of recognizing, beginning in 1987, retail service rendered but not yet billed to customers

STATEMENTS OF INCOME
Alabama Power Company

1993*	1992*	1991*	1990*	1989*	1988*	1987*	1986
$ 2,825,634	$ 2,688,752	$ 2,687,419	$ 2,628,951	$ 2,524,866	$ 2,399,935	$ 2,455,889	$ 2,428,663
181,975	158,088	159,375	93,473	104,488	76,691	118,746	120,911
3,007,609	2,846,840	2,846,794	2,722,424	2,629,354	2,476,626	2,574,634	2,549,574
877,099	794,438	812,6[illegible]	756,501	712,453	676,423	696,763	738,367
15,230	14,242	21,080	11,185	28,272	8,407	6,703	23,889
120,330	107,230	119,602	165,982	163,267	185,390	257,052	156,091
(2,568)	(641)	(14,819)	-	-	-	-	-
473,383	446,477	435,908	411,559	380,536	400,879	410,575	350,671
252,506	237,071	229,114	215,304	202,633	197,225	199,617	203,972
290,310	280,881	271,433	262,817	247,973	225,123	212,072	201,803
178,997	172,095	169,639	163,567	154,398	148,681	[illegible]1,422	135,248
207,210	201,925	200,612	185,954	188,507	143,614	190,575	255,400
2,412,497	2,253,718	2,245,236	2,172,869	2,078,039	1,985,742	2,114,779	2,065,441
595,112	593,122	601,558	549,555	551,315	490,884	459,855	484,133
3,260	2,071	2,368	25,487	29,515	39,047	27,663	27,455
4,127	4,635	4,576	4,182	3,750	3,302	3,440	2,967
(3,000)	(6,887)	(6,500)	(17,500)	(25,000)	-	-	-
20,775	14,804	14,356	12,006	10,871	9,914	7,044	11,422
(24,420)	(11,019)	(9,926)	(8,235)	(4,313)	(13,694)	(816)	(2,738)
10,239	8,947	7,523	11,081	13,629	8,034	849	185
606,093	605,673	613,955	576,576	579,767	537,487	498,035	522,424
184,861	206,871	214,107	221,527	230,046	225,522	205,824	226,110
(2,992)	(2,416)	(6,903)	(23,339)	(27,627)	(31,830)	(24,235)	(24,334)
3,760	3,704	13,385	10,252	9,098	5,714	7,221	1,159
8,937	4,392	2,634	3,706	4,469	4,411	4,405	3,313
35,474	19,381	14,927	13,115	13,112	13,715	14,662	8,695
-	-	-	-	-	-	-	-
230,040	231,932	238,150	225,261	229,098	217,532	207,877	214,943
376,053	373,741	375,805	351,315	350,669	319,955	290,158	307,[illegible]1
29,559	35,186	36,139	38,517	39,523	36,480	32,919	34,025
$ 346,494	$ 338,555	$ 339,666	$ 312,803	$ 311,146	$ 283,475	$ 257,239	$ 273,456

STATEMENTS OF CASH FLOWS

Alabama Power Company

For the Years Ended December 31, (Thousands of Dollars)	1996	1995	1994
Operating Activities:			
Net income	$ 398,092	$ 387,963	$ 382,573
Adjustments to reconcile net income to net cash provided by operating activities --			
Depreciation and amortization	383,438	371,382	359,791
Deferred income taxes, net	16,585	32,702	(32,612)
Deferred investment tax credits, net	-	(75)	(1)
Allowance for equity funds used during construction	-	(1,649)	(3,239)
Non-cash proceeds from settlement of disputed contracts	-	-	-
Other, net	21,563	33,244	28,656
Changes in certain current assets and liabilities --			
Receivables, net	3,958	(54,209)	19,390
Inventories	36,234	18,425	(38,946)
Payables	1,006	(63,656)	(21,240)
Taxes accrued	(5,756)	551	6,856
Energy cost recovery, retail	25,771	1,177	16,907
Other	(7,111)	(15,895)	(14,235)
Net cash provided from operating activities	873,780	709,960	703,900
Investing Activities:			
Gross property additions	(425,024)	(551,781)	(536,785)
Sales of property	-	-	-
Other	(61,119)	(53,321)	(26,632)
Net cash used for investing activities	(486,143)	(605,102)	(563,417)
Financing Activities and Capital Contributions:			
Proceeds:			
Company obligated mandatorily redeemable preferred securities	97,000	-	-
Preferred stock	-	-	-
First mortgage bonds	-	-	150,000
Pollution control bonds	21,000	131,500	179,750
Other long-term debt	-	-	28,970
Capital contributions from parent company	-	-	-
Prepaid capacity revenues	-	-	-
Retirements:			
Preferred stock	-	-	-
First mortgage bonds	(83,797)	-	(20,387)
Pollution control bonds	(21,000)	(131,500)	(179,750)
Other long-term debt	(907)	(791)	(125,630)
Interim obligations, net	(25,163)	210,134	139,882
Payment of preferred stock dividends	(26,665)	(27,118)	(25,431)
Payment of common stock dividends	(347,500)	(285,000)	(268,000)
Miscellaneous	(3,634)	(4,1)	(8,444)
Net cash provided from (used for) financing activities	(390,666)	(106,918)	(129,040)
Net Change in Cash	(3,029)	(2,060)	11,443
Cash at Beginning of Year	12,616	14,676	3,233
Cash at End of Year	$ 9,587	$ 12,616	$ 14,676

( ) Denotes use of cash.

STATEMENTS OF CASH FLOWS
Alabama Power Company

1993	1992	1991	1990	1989	1988	1987	1986
$ 376,053	$ 373,741	$ 375,805	$ 351,315	$ 350,669	$ 319,955	$ 290,158	$ 307,481
356,499	338,421	337,978	331,858	322,042	296,234	270,492	292,569
35,100	23,514	(5,779)	64,480	31,715	37,952	107,824	135,364
(2,106)	-	(1,089)	132	6,917	15,019	23,477	19,736
(3,260)	(2,071)	(2,368)	(25,487)	(29,515)	(39,047)	(27,663)	(27,455)
-	(641)	(13,750)	-	-	-	-	-
36,493	(2,657)	46,614	19,899	(5,297)	16,106	67,445	4,251
19,215	(11,010)	9,178	12,005	(10,436)	8,822	(133,468)	15,238
51,630	12,704	(17,374)	(40,901)	20,408	(23,182)	(26,255)	(2,040)
31,544	2,158	28,889	6,597	16,259	(12,957)	39,645	(56,720)
(9,959)	(21,120)	24,828	(6,167)	1,547	(7,754)	516	(1,487)
(56,128)	45,509	(12,304)	(42,535)	39,164	-	-	-
(21,110)	10,629	(37,906)	14,144	28,701	(18,658)	4,464	(35,293)
813,971	769,177	712,722	685,340	772,174	592,490	616,635	651,644
(435,843)	(367,463)	(397,011)	(444,680)	(459,199)	(643,892)	(600,589)	(553,767)
-	43,556	-	-	-	-	-	-
(741)	(13,379)	(36,083)	6,935	3,768	23,161	17,010	10,115
(436,584)	(337,286)	(433,094)	(437,745)	(455,431)	(620,731)	(583,579)	(543,652)
-	-	-	-	-	-	-	-
158,000	150,000	-	-	-	100,000	-	-
860,000	745,000	250,000	-	-	150,000	200,000	125,000
144,436	-	-	-	53,700	-	432	26,232
35,878	48,382	12,906	54,831	55,176	62,515	69,786	95,017
-	-	-	-	-	79,500	43,000	-
-	-	52,900	-	-	-	-	100,000
(207,000)	(145,000)	(17,500)	(5,000)	(5,000)	(2,500)	(5,000)	(42,224)
(699,788)	(931,797)	(227,695)	(33,122)	(75,650)	(42,445)	(108,082)	(405,765)
(135,315)	(335)	(250)	(250)	(53,950)	-	-	(21,000)
(46,014)	(53,888)	(48,428)	(56,895)	(57,316)	(56,748)	(32,500)	(43,561)
(156,917)	120,917	(13,500)	59,500	30,000	(15,000)	15,000	-
(32,099)	(35,704)	(36,829)	(38,245)	(40,105)	(35,362)	(32,837)	(36,014)
(252,900)	(273,300)	(232,900)	(220,800)	(217,300)	(212,700)	(201,100)	(191,300)
(56,064)	(53,697)	(17,732)	(293)	(4,576)	(5,581)	(2,581)	(38,052)
(387,783)	(429,422)	(279,028)	(240,274)	(315,021)	21,679	(53,882)	(431,667)
(10,396)	2,469	600	7,321	1,722	(6,562)	(20,826)	(323,675)
13,629	11,160	10,560	3,239	1,517	8,079	28,905	352,580
$ 3,233	$ 13,629	$ 11,160	$ 10,560	$ 3,239	$ 1,517	$ 8,079	$ 28,905

BALANCE SHEETS
Alabama Power Company

At December 31, (Thousands of Dollars)	1996*	1995*	1994*
ASSETS			
Electric Plant:			
Production-			
Fossil	$ 3,326,628	$ 3,221,250	$ 3,027,956
Nuclear	1,884,567	1,874,111	1,866,750
Hydro	844,609	834,790	836,256
Total production	6,055,804	5,930,151	5,730,962
Transmission	1,208,636	1,132,336	1,087,452
Distribution	2,657,327	2,522,051	2,366,477
General	864,321	825,417	847,111
Construction work in progress	256,758	362,722	317,745
Nuclear fuel, at amortized cost	123,862	100,537	101,630
Total electric plant	11,166,708	10,873,214	10,451,377
Steam Heat Plant:			
Plant in service	20,833	20,837	20,770
Construction work in progress	44	46	34
Total steam heat plant	20,877	20,883	20,804
Total utility plant	11,187,585	10,894,097	10,472,181
Accumulated Provision for Depreciation:			
Electric	4,102,070	3,827,123	3,588,363
Steam heat	11,552	10,970	10,241
Total accumulated provision for depreciation	4,113,622	3,838,093	3,598,604
Total	7,073,963	7,056,004	6,873,577
Less property-related accumulated deferred income taxes	-		-
Total	7,073,963	7,056,004	6,873,577
Other Property and Investments:			
Securities received from settlement of disputed contracts	-	-	-
Nuclear decommissioning trusts	148,760	108,368	71,014
Miscellaneous	46,275	46,388	43,955
Total	195,035	154,756	114,969
Current Assets:			
Cash and cash equivalents	9,587	12,616	14,676
Investment securities	-	-	-
Receivables, net	414,989	427,157	374,125
Fossil fuel stock, at average cost	81,704	106,627	119,555
Materials and supplies, at average cost	167,792	179,103	184,600
Prepayments	131,870	116,331	103,550
Vacation pay deferred	28,369	29,458	20,442
Total	834,311	871,292	816,948
Deferred Charges:			
Deferred charges related to income taxes	410,010	436,837	451,886
Debt expense, being amortized	7,398	7,648	7,370
Premium on reacquired debt, being amortized	84,149	89,967	101,851
Uranium enrichment decontamination and decommissioning fund	37,490	40,282	42,996
Miscellaneous	91,490	87,574	49,620
Total	630,537	662,308	653,723
Total Assets	$ 8,733,846	$ 8,744,360	$ 8,459,217

*Includes the effect of recognizing, beginning in 1987, retail service rendered but not yet billed to customers

BALANCE SHEETS
Alabama Power Company

1993*	1992*	1991*	1990*	1989*	1988*	1987*	1986
$ 2,987,010	$ 2,953,683	$ 2,991,876	$ 2,462,100	$ 2,428,146	$ 1,820,966	$ 1,787,979	$ 1,748,226
1,860,842	1,860,832	1,851,317	1,794,540	1,786,877	1,769,093	1,765,854	1,749,981
819,848	818,363	814,301	809,578	803,901	789,617	88,046	784,445
5,667,700	5,632,878	5,657,494	5,066,218	5,018,924	4,379,676	4,341,879	4,282,652
1,051,130	1,013,464	977,239	925,368	882,933	844,003	817,065	773,142
2,206,834	2,072,165	1,947,972	1,815,265	1,692,426	1,587,690	1,481,845	1,384,576
810,551	751,652	713,948	660,217	646,523	613,498	535,148	506,228
225,743	164,555	148,564	654,055	557,150	1,023,019	750,907	497,491
93,551	101,128	109,259	143,711	147,997	174,130	191,493	205,768
10,055,509	9,735,842	9,554,476	9,264,834	8,945,953	8,622,016	8,118,337	7,649,857
20,926	20,924	20,214	20,091	20,083	20,076	20,217	19,508
43	33	181	74	71	58	89	123
20,969	20,957	20,395	20,165	20,154	20,134	20,306	19,631
10,076,478	9,756,799	9,574,871	9,284,999	8,966,107	8,642,150	8,138,643	7,669,488
3,374,310	3,122,332	2,913,385	2,676,957	2,458,747	2,257,696	2,068,176	1,877,124
9,846	9,211	8,492	7,861	7,154	6,456	5,938	5,261
3,384,156	3,131,543	2,921,877	2,684,818	2,465,901	2,264,152	2,074,114	1,882,385
6,692,322	6,625,256	6,652,994	6,600,181	6,500,206	6,377,998	6,064,529	5,787,103
-	1,170,982	1,140,303	1,106,664	1,051,877	1,001,173	933,932	857,081
6,692,322	5,454,274	5,512,691	5,493,517	5,448,329	5,376,825	5,130,597	4,930,022
-	-	69,550	-	-	-	-	-
49,550	32,390	15,864	-	-	-	-	-
49,635	49,892	48,254	40,604	34,710	29,677	31,402	30,735
99,185	82,282	133,668	40,604	34,710	29,677	31,402	30,735
3,233	13,629	11,160	10,560	3,239	1,517	8,079	28,905
-	64,832	-	-	-	-	-	-
410,422	344,971	349,599	346,473	355,107	344,671	353,493	220,025
88,481	134,328	154,798	144,960	131,942	173,858	164,671	152,640
176,728	182,511	174,745	167,209	139,326	117,818	103,823	89,599
79,207	108,254	95,832	50,364	54,613	28,412	10,595	12,320
22,680	21,879	21,691	22,845	22,021	21,871	21,317	20,002
780,751	870,367	807,825	742,411	706,248	688,147	661,978	523,491
469,010	-	-	-	-	-	-	-
7,064	6,118	5,957	6,083	6,491	6,831	6,695	6,308
102,634	74,835	40,174	26,504	23,778	27,329	30,767	34,170
45,554	47,730	-	-	-	-	-	-
52,163	58,012	49,147	53,174	54,875	52,136	50,561	45,927
676,425	186,695	95,278	85,761	90,144	86,296	88,023	86,405
$ 8,248,683	$ 6,593,618	$ 6,549,462	$ 6,362,293	$ 6,279,431	$ 6,180,945	$ 5,912,000	$ 5,570,653

BALANCE SHEETS
Alabama Power Company

At December 31, (Thousands of Dollars)	1996*	1995*	1994*
CAPITALIZATION AND LIABILITIES			
Capitalization:			
Common stock	$ 224,358	$ 224,358	$ 224,358
Paid-in capital	1,304,645	1,304,645	1,304,645
Premium on preferred stock	146	146	146
Earnings retained in the business	1,185,128	1,161,225	1,085,256
Total common equity	2,714,277	2,690,374	2,614,405
Preferred stock	340,400	440,400	440,400
Preferred stock subject to mandatory redemption	-	-	-
Company obligated mandatorily redeemable preferred securities of Alabama Power Capital Trust I holding Company Junior Subordinated Notes	97,000	-	-
Long-term debt	2,354,006	2,374,948	2,455,013
Total (excluding amount due within one year)	5,505,683	5,505,722	5,509,818
Current Liabilities:			
Notes payable to banks	-	-	-
Commercial paper	364,853	390,016	179,882
Preferred stock due within one year	100,000	-	-
Long-term debt due within one year	20,753	84,682	796
Accounts payable	246,870	258,727	318,991
Customer deposits	32,003	30,353	30,245
Taxes accrued	50,909	31,757	22,437
Interest accrued	51,941	53,527	52,516
Vacation pay accrued	28,369	29,458	20,442
Miscellaneous	96,485	70,543	57,047
Total	992,183	949,063	682,356
Deferred Credits and Other Liabilities:			
Accumulated deferred income taxes	1,177,687	1,191,591	1,181,342
Accumulated defer investment tax credits	294,071	305,372	317,018
Prepaid capacity revenues, net	122,496	131,186	138,421
Deferred revenues from settlement of disputed contracts	-	-	-
Uranium enrichment decontamination and decommissioning fund	33,741	36,620	39,413
Deferred credits related to income taxes	364,792	386,038	405,256
Natural disaster reserve	20,757	17,959	28,150
Miscellaneous	222,436	220,809	156,843
Total	2,235,980	2,289,575	2,267,043
Total Capitalization and Liabilities	$ 8,733,846	$ 8,744,360	$ 8,459,217

*Includes the effect of recognizing, beginning in 1987, retail service rendered but not yet billed to customers

BALANCE SHEETS
Alabama Power Company

1993*	1992*	1991*	1990*	1989*	1988*	1987*	1986
$ 224,358	$ 224,358	$ 224,358	$ 224,358	$ 224,358	$ 224,358	$ 224,358	$ 224,358
1,304,645	1,304,645	1,304,645	1,301,645	1,304,645	1,304,645	1,225,145	1,182,145
146	342	461	461	461	461	461	461
997,199	914,148	857,734	751,126	659,347	565,351	496,783	440,644
2,526,348	2,443,493	2,387,198	2,280,590	2,188,811	2,094,815	1,946,747	1,847,608
440,400	489,400	484,400	484,400	484,400	484,400	384,400	384,400
-		-	12,500	17,500	22,500	27,500	30,000
-	-	-	-	-	-	-	-
2,362,852	2,202,473	2,382,635	2,397,931	2,435,129	2,496,492	2,386,258	2,210,108
5,329,600	5,135,366	5,254,233	5,175,421	5,125,840	5,098,207	4,744,905	4,472,116
40,000	71,000	76,000	89,500	30,000	-	15,000	-
-	125,917	-	-	-	-	-	-
-	-	-	5,000	5,000	5,000	2,500	5,000
58,998	67,379	85,077	83,989	81,031	96,242	95,140	142,394
334,998	296,731	295,333	271,776	267,645	259,443	273,613	238,606
31,198	31,286	30,165	29,571	28,450	25,964	32,220	30,333
40,144	24,373	45,493	20,665	26,832	25,285	72,118	50,757
52,809	41,675	49,288	49,820	49,926	50,174	49,489	47,648
22,680	21,879	21,691	22,845	22,021	21,871	21,317	20,002
50,426	93,836	37,699	64,547	91,022	28,944	24,660	25,567
631,253	774,076	640,746	637,713	601,927	512,923	586,057	560,307
1,165,127	-	-	-	-	-	-	-
329,909	344,707	362,672	379,990	399,097	412,771	418,370	418,275
143,762	147,658	149,534	99,835	102,346	104,211	103,947	101,143
19,874	46,721	59,937	-	-	-	-	-
39,644	44,548	-	-	-	-	-	-
440,945	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
148,572	100,542	82,340	69,334	50,221	52,833	58,721	18,812
2,287,830	684,176	654,483	549,159	551,664	569,815	581,038	538,230
$ 8,248,683	$ 6,593,618	$ 6,549,462	$ 6,362,293	$ 6,279,431	$ 6,180,945	$ 5,912,000	$ 5,570,653

ALABAMA POWER COMPANY

OUTSTANDING SECURITIES AT DECEMBER 31, 1996

First Mortgage Bonds

Series	Amount Issued (Thousands)	Interest Rate	Amount Outstanding (Thousands)	Maturity
1993	$ 50,000	5-1/2%	$ 50,000	2/1/98
1992	170,000	6-3/8%	170,000	8/1/99
1993	100,000	6%	100,000	3/1/00
1992	100,000	6.85%	100,000	8/1/02
1993	125,000	7%	125,000	1/1/03
1993	175,000	6-3/4%	175,000	2/1/03
1992	175,000	7-1/4%	175,000	8/1/07
1991	100,000	9-1/4%	74,951	5/1/21
1991	150,000	8-3/4%	148,500	12/1/21
1992	200,000	8-1/2%	198,000	5/1/22
1992	100,000	8.30%	99,608	7/1/22
1993	100,000	7-3/4%	100,000	2/1/23
1993	150,000	7.45%	150,000	7/1/23
1993	100,000	7.30%	100,000	11/1/23
1994	150,000	9%	150,000	12/1/24
	$ 1,945,000		$ 1,916,059	

Pollution Control Bonds

Series	Amount Issued (Thousands)	Interest Rate	Amount Outstanding (Thousands)	Maturity
1978	$ 5,600	7-1/4%	$ 1,000	5/1/03
1993	12,100	Variable	12,100	8/1/17
1993	12,000	Variable	12,000	8/1/17
1993	12,000	Variable	12,000	8/1/17
1993	96,990	6.05%	96,990	5/1/23
1993	9,800	5.80%	9,800	6/1/22
1994	24,400	5-1/2%	24,400	1/1/24
1994	53,700	Variable	53,700	6/1/15
1994	101,650	6-1/2%	101,650	9/1/23
1995	50,000	Variable	50,000	5/1/22
1995	81,500	Variable	81,500	10/1/22
1996	21,000	Variable	21,000	11/1/21
	$ 480,740		$ 476,140	

Company Obligated Mandatorily Redeemable Preferred Securities of Alabama Power Capital Trust I Holding Junior Subordinated Notes

Series	Preferred Securities Outstanding	Interest Rate	Amount Outstanding (Thousands)
1996	3,880,000 (1)	7.375%	$ 97,000 (1)

(1) Issued by Alabama Power Capital Trust I and guaranteed to the extent Alabama Power Capital Trust I has funds by ALABAMA

ALABAMA POWER COMPANY

OUTSTANDING SECURITIES AT DECEMBER 31, 1996 (Continued)

Preferred Stock

Series	Shares Outstanding	Dividend Rate	Amount Outstanding (Thousands)
1946-1952	364,000	4.20%	$ 36,400
1950	100,000	4.60%	10,000
1961	80,000	4.92%	8,000
1963	50,000	4.52%	5,000
1964	60,000	4.64%	6,000
1965	50,000	4.72%	5,000
1966	70,000	5.96%	7,000
1968	50,000	6.88%	5,000
1988	500,000	Auction	50,000
1992	4,000,000	7.60%	100,000
1992	2,000,000	7.60%	50,000
1993	1,520,000	6.80%	38,000
1993	2,000,000	6.40%	50,000
1993	200	Auction	20,000
1993	2,000,000	Adjustable	50,000
	12,844,200		$ 440,400

SECURITIES RETIRED DURING 1996

First Mortgage Bonds

Series	Principal Amount (Thousands)	Interest Rate
1991	$ 23,797	9-1/4%
1993	60,000	4-1/2%
	$ 83,797	

Pollution Control Bonds

Series	Principal Amount (Thousands)	Interest Rate
1986	$ 21,000	7.40%
	$ 21,000	

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GEORGIA POWER COMPANY

FINANCIAL SECTION

MANAGEMENT'S REPORT

The management of Georgia Power Company has prepared this annual report and is responsible for the financial statements and related information. These statements were prepared in accordance with generally accepted accounting principles appropriate in the circumstances, and necessarily include amounts that are based on the best estimates and judgments of management. Financial information throughout this annual report is consistent with the financial statements

The Company maintains a system of int al accounting controls to provide reasonable assurance that assets are safeguarded and that the books and records reflect only authorized transactions of the Company. Limitations exist in any system of internal controls based upon the recognition that the cost of the system should not exceed its benefits. The Company believes that its system of internal accounting controls maintains an appropriate cost/benefit relationship

The Company's system of internal accounting controls is evaluated on an ongoing basis by the Company's internal audit staff The Company's independent public accountants also consider certain elements of the internal control system in order to determine their auditing procedures for the purpose of expressing an opinion on the financial statements.

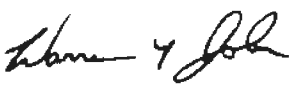
The audit committee of the board of directors, which is composed of six directors who are not employees, provides a broad overview of management's financial reporting and control functions. At least three times a year this committee meets with management, the internal auditors, and the independent public accountants to ensure that these groups are fulfilling their obligations and to discuss auditing, internal control and financial reporting matters The internal auditors and the independent public accountants have access to the members of the audit committee at any time.

Management believes that its policies and procedures provide reasonable assurance that the Company's operations are conducted with a high standard of business ethics

In management's opinion, the financial statements present fairly, in all material respects, the financial position, results of operations and cash flows of Georgia Power Company in conformity with generally accepted accounting principles



H Allen Franklin
President and Chief
Executive Officer



Warren Y Jobe
Executive Vice President,
Treasurer and Chief
Financial Officer

February 12, 1997

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Board of Directors
of Georgia Power Company:

We have audited the accompanying balance sheets and statements of capitalization of Georgia Power Company (a Georgia corporation and a wholly owned subsidiary of Southern Company) as of December 31, 1996 and 1995, and the related statements of income, retained earnings, paid-in capital, and cash flows for each of the three years in the period ended December 31, 1996. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements (pages II-104 through II-125) referred to above present fairly, in all material respects, the financial position of Georgia Power Company as of December 31, 1996 and 1995, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 1996, in conformity with generally accepted accounting principles.



Atlanta, Georgia
February 12, 1997

RESULTS OF OPERATIONS

Earnings

Georgia Power Company's 1996 earnings totaled $580 million, representing a $29 million (4.7 percent) decrease from 1995. Earnings for 1995 included an after-tax gain of approximately $12 million from the completion of the sale of Plant Scherer Unit 4. The remaining decrease in 1996 earnings was primarily due to increased operating and maintenance expenses, partially offset by lower interest charges compared to the prior year. The Company's 1995 earnings increased 15.9 percent over 1994. Earnings for 1994 were reduced by a $55 million after-tax charge related to work force reduction programs. Excluding the charge related to 1994 work force reduction programs, earnings for 1995 increased 4.8 percent over 1994 primarily due to higher retail energy sales and lower interest charges, partially offset by higher operating expenses.

Revenues

The following table summarizes the factors impacting operating revenues for the 1994-1996 period:

	Increase (Decrease) From Prior Year		
	1996	1995	1994
	(in millions)		
Retail -			
Sales growth	$ 58	$110	$ 67
Weather	(25)	69	(128)
Fuel cost recovery	28	66	(35)
Demand-side programs	(10)	36	(12)
Total retail	51	281	(108)
Sales for resale -			
Non-affiliates	(9)	(61)	(183)
Affiliates	(41)	16	(1)
Total sales for resale	(50)	(45)	(184)
Other operating revenues	10	7	3
Total operating revenues	$ 11	$243	($289)
Percent change	0.3%	5.8%	(6.5)%

Retail revenues of $4.0 billion in 1996 increased $51 million (1.3 percent) over the prior year primarily due to strong economic growth and an increase in sales to existing customers. Retail revenues increased in 1995 over the prior year primarily due to the continued expansion of Georgia's economy and the hot summer of 1995. Milder-than-normal weather occurred during the summer of 1994.

Fuel revenues generally represent the direct recovery of fuel expense, including the fuel component of purchased energy, and do not affect net income. Revenues from demand-side option programs generally represent the direct recovery of program costs. See Note 3 to the financial statements under "Demand-Side Conservation Programs" for further information on these programs.

Revenues from sales to non-affiliated utilities decreased in both 1996 and 1995. Revenues from sales to non-affiliated utilities outside the service area under long-term contracts consist of capacity and energy components. Capacity revenues reflect the recovery of fixed costs and a return on investment under the contracts. Energy is generally sold at variable cost. The capacity and energy components were as follows:

	1996	1995	1994
	(in millions)		
Capacity	$41	$53	$ 84
Energy	43	45	82
Total	$84	$98	$166

Contractual unit power sales to Florida utilities for 1996 and 1995 are down primarily due to scheduled reductions that corresponded with the sales to these utilities of portions of Plant Scherer Unit 4 in June 1995 and June 1994. The amount of capacity under these contracts declined by 75 megawatts and 155 megawatts in 1996 and 1995, respectively. In 1997, the contracted capacity will decline another 14 megawatts.

Revenues from other sales to non-affiliated utilities outside the service area in 1996 increased $14 million over the prior year due to a 74.5 percent increase in sales. Revenues for 1995 decreased by $27 million due to a 51.9 percent decrease in sales. These sales are primarily energy sales generally sold at variable cost.

Revenues from municipalities and cooperatives in Georgia decreased in 1996 primarily due to the recognition of an agreement to refund $14 million to these customers and a decrease of approximately $8 million in capacity revenues under a power supply agreement with Oglethorpe

Power Corporation (OPC). See Note 3 to the financial statements under "Wholesale Litigation" for additional information on the refund agreement. Beginning in September 1996, OPC decreased its purchases of capacity by 250 megawatts and has notified the Company of its intent to decrease purchases of capacity by an additional 250 megawatts in September 1997, and an additional 250 megawatts in September 1998. This decrease in revenues discussed above was partially offset by revenues from increased sales compared to the prior year due to higher demand. Sales increased in 1995 primarily due to higher summer demand resulting from the hot weather.

Revenues from sales to affiliated companies within the Southern electric system will vary from year to year depending on demand and the availability and cost of generating resources at each company. Sales to affiliated companies do not have a significant impact on earnings.

Kilowatt-hour (KWH) sales for 1996 and the percent change by year were as follows:

	1996 KWH (in billions)	Percent Change 1996	1995	1994
Residential	17.8	3.0%	10.4%	(5.8)%
Commercial	20.8	4.9	5.9	2.5
Industrial	26.2	3.6	3.9	3.0
Other	0.5	8.6	2.0	5.0
Total retail	65.3	3.9	6.2	0.4
Sales for resale -				
Non-affiliates	7.9	19.4	(17.3)	(44.3)
Affiliates	1.2	(56.9)	(10.4)	0.9
Total sales for resale	9.1	(3.0)	(15.4)	(36.4)
Total sales	74.4	3.0	2.8	(8.0)

Residential, commercial and industrial energy sales growth in 1996 reflected strong economic growth and an increase in sales to existing customers. The 1995 sales growth was the result of favorable weather conditions in addition to increased customers and economic growth.

Expenses

Fuel costs constitute the single largest expense for the Company. The mix of fuel sources for generation of electricity is determined primarily by system load, the unit cost of fuel consumed, and the availability of hydro and nuclear generating units. The amount and sources of generation and the average cost of fuel per net kilowatt-hour generated were as follows:

	1996	1995	1994
Total generation (billions of kilowatt-hours)	63.7	64.3	62.4
Sources of generation (percent) –			
Coal	74.3	73.7	74.8
Nuclear	22.4	22.6	21.9
Hydro	2.7	3.0	3.1
Oil and gas	0.6	0.7	0.2
Average cost of fuel per net kilowatt-hour generated (cents) –			
Coal	1.55	1.67	1.67
Nuclear	0.55	0.60	0.63
Oil and gas	*	*	*
Total	1.35	1.45	1.44

* Not meaningful because of minimal generation from fuel source

Fuel expense decreased 7.3 percent in 1996 because of a decrease in generation resulting from the timing of maintenance at nuclear plants and a lower average cost of fuel. Fuel expense increased 3.5 percent in 1995 because of higher generation which stemmed from greater demand.

Purchased power expense increased $72 million (22.8 percent) in 1996 primarily due to increased purchases from affiliated companies as a result of the timing of maintenance at nuclear plants discussed above. The increase in 1996 was partially offset by a decrease in energy purchases from wholesale customers within the service areas and a decline in contractual capacity purchases from the co-owners of Plant Vogtle. Purchased power expense decreased $36 million in 1995, reflecting the declining Plant Vogtle contractual capacity purchases and decreased purchases from affiliated companies. The declines in Plant Vogtle contractual capacity purchases did not have a significant impact on earnings in 1996 and 1995.

since these costs are being levelized over six years under the terms of the 1991 Georgia Public Service Commission (GPSC) retail rate order. The levelization is reflected in the amortization of deferred Plant Vogtle costs in the Statements of Income. See Note 1 to the financial statements under "Plant Vogtle Phase-In Plans" for additional information.

The Company has incurred expenses for separation benefits associated with its work force reduction programs. These expenses were $39 million in 1996, $ ' million in 1995, and $82 million in 1994.

Other operation and maintenance (O&M) expenses, excluding the provision for separation benefits, increased 2.9 percent in 1996 primarily as a result of initiatives to reduce fossil generation materials inventory levels, an adjustment to deferred postretirement benefits to reflect changes in the retiree benefits plan, and increased costs under a three-year retail accounting order effective January 1, 1996. See Note 3 to the financial statements under "Retail Accounting Order" for additional information. Other O&M expenses increased 12.2 percent in 1995 primarily as a result of the recognition of costs associated with demand-side option programs and increased maintenance expenses. The demand-side option program costs were offset in part by increases in retail revenues. During 1995, the Company expensed an additional $58 million of demand-side option program and other related costs, as compared to 1994, of which approximately $29 million was not collected through rate riders. See Note 3 to the financial statements under "Demand-Side Conservation Programs" for additional information on the recovery of these program costs.

Depreciation and amortization increased $11 million in 1996 primarily due to accelerated depreciation of generating plant pursuant to the retail accounting order effective January 1996 discussed above, and an increase in plant-in-service. Depreciation and amortization increased $43 million in 1995 primarily due to additional plant investment, accelerated amortization of software costs, and an increase in nuclear decommissioning expenses.

Taxes other than income taxes increased 1.2 percent in 1996 and 5.2 percent in 1995, primarily reflecting higher franchise taxes paid to municipalities as a result of increased sales.

Other, net decreased $35 million in 1996 primarily due to expenses in connection with activities related to the 1996 Summer Olympic games and the completion of the sale, in June 1995, of Plant Scherer Unit 4, which resulted in an after-tax gain of approximately $12 million. An increase in charitable contributions resulted in the decrease in other income (expense), net in 1995.

Interest expense decreased $52 million (17.4 percent) and $51 million (14.6 percent) in 1996 and 1995, respectively. Dividends on preferred stock also decreased $3 million in 1996. These reductions are primarily due to the refinancing of securities. The Company refinanced or retired $510 million and $1.0 billion of securities in 1996 and 1995, respectively. The retirements included the redemption of $264 million of long-term debt with the proceeds from the 1995 and 1994 Plant Scherer Unit 4 sales.

The Company has deferred certain expenses and recorded a deferred return related to Plant Vogtle under phase-in plans. See Note 1 to the financial statements under "Plant Vogtle Phase-In Plans" for information regarding the deferral and subsequent amortization of costs related to Plant Vogtle.

Effects of Inflation

The Company is subject to rate regulation and income tax laws that are based on the recovery of historical costs. Therefore, inflation creates an economic loss because the Company is recovering its costs of investments in dollars that have less purchasing power. While the inflation rate has been relatively low in recent years, it continues to have an adverse effect on the Company because of the large investment in long-lived utility plant. Conventional accounting for historical cost does not recognize this economic loss nor the partially offsetting gain that arises through financing facilities with fixed-money obligations such as long-term debt and preferred stock. Any recognition of inflation by regulatory authorities is reflected in the rate of return allowed.

Future Earnings Potential

The results of operations for the past three years are not necessarily indicative of future earnings. The level of future earnings depends on numerous factors including regulatory matters and energy sales.

On January 1, 1996, the Company began operating under a three-year retail accounting order. Under the order, which was approved by the GPSC on February 16, 1996, the Company's earnings are evaluated against a retail return on common equity range of 10 percent to 12.5 percent. Earnings in excess of 12.5 percent will be used to accelerate the amortization of regulatory assets or depreciation of electric plant. At its option, the Company may also recognize accelerated amortization or depreciation of assets within the allowed return on common equity range. The Company is required to absorb cost increases of approximately $29 million annually during the order's three-year operation, including $14 million annually of accelerated depreciation of electric plant. During the order's operation, the Company will not file for a general base rate increase unless its projected retail return on common equity falls below 10 percent. Under the order, on July 1, 1998 the Company will make a general rate case filing in response to which the GPSC would be expected either to continue provisions of the accounting order or adopt different ones. The Company's 1996 retail return on common equity was within the 10 percent to 12.5 percent range. In November 1996, on appeal by a consumer group, the Superior Court of Fulton County (Georgia) reversed the GPSC's order and remanded the matter to the GPSC. The court found that statutory requirements applicable to rate cases should have been, but were not, followed. The Company and the GPSC have appealed the court's decision. The Company is continuing to recognize expenses in accordance with the accounting order while it is under appeal.

Growth in energy sales is subject to a number of factors which traditionally have included changes in contracts with neighboring utilities, energy conservation practiced by customers, the elasticity of demand, weather, competition, initiatives to increase sales to existing customers, and the rate of economic growth in the Company's service area. Assuming normal weather, retail sales growth is projected to be approximately 2 percent annually on average during 1997 through 1999.

The Company has entered into a four-year purchase power agreement to meet peaking needs. Beginning in 1996, the Company purchased 400 megawatts of capacity. In 1997, this amount will decline to 300 megawatts and in 1998 and 1999 to 200 megawatts. Capacity payments are projected to be $5 million in 1997 and $3 million in 1998 and 1999. The Company has also entered into a 30-year purchase power agreement whereby the Company will buy electricity during peak periods from a planned 300 megawatt cogeneration facility starting in June 1998. Capacity and fixed O&M payments are projected to be $13 million in 1998 and $15 million in 1999.

The amortization of Plant Vogtle costs deferred under phase-in plans will decline by $16 million in 1997, $89 million in 1998, $12 million in 1999, and $19 million in 2000. These costs will be fully amortized by September 1999. See Note 1 to the financial statements under "Plant Vogtle Phase-In Plans" for additional information. Additionally, work force reduction programs implemented in the past three years will assist in efforts to control growth in future operating expenses.

As discussed in Note 3 to the financial statements, regulatory uncertainties exist related to the Rocky Mountain pumped storage hydroelectric plant. In the event the GPSC does not allow full recovery of the plant's costs, then the portion not allowed may have to be written off. The Company's net investment in the plant as of December 1996 is approximately $175 million.

Beginning in September 1996, OPC decreased its purchases of capacity under a power supply agreement by 250 megawatts and has notified the Company of its intent to decrease purchases of capacity by an additional 250 megawatts in September 1997, and an additional 250 megawatts in September 1998. As a result, the Company's capacity revenues declined approximately $8 million in 1996, and will decline an additional $24 million in 1997, an additional $26 million in 1998, and an additional $19 million in 1999.

The Federal Energy Regulatory Commission (FERC) regulates wholesale rate schedules and power sales contracts that the Company has with its sales for resale customers. The FERC currently is reviewing the rate of return on common equity included in these schedules and contracts and may require such returns to be lowered, possibly retroactively. See Note 3 to the financial statements under "FERC Review of Equity Returns" for additional information.

Compliance costs related to the Clean Air Act Amendments of 1990 (Clean Air Act) could affect earnings if such costs are not fully recovered. The Clean Air Act

and other environmental issues are discussed later under "Environmental Issues."

The Energy Policy Act of 1992 (Energy Act) is having a dramatic effect on the future of the electric utility industry. The Energy Act promotes energy efficiency, alternative fuel use, and increased competition for electric utilities. The Company is positioning the business to meet the challenge of this major change in the traditional practice of selling electricity. The Energy Act allows independent power producers (IPPs) to access a utility's transmission network in order to sell electricity to other utilities. This enhances the incentive for IPPs to build cogeneration plants for a utility's large industrial and commercial customers and sell excess energy generation to other utilities. Also, electricity sales for resale rates are being driven down by wholesale transmission access and numerous potential new energy suppliers, including power marketers and brokers. The Company is aggressively working to maintain and expand its share of wholesale sales in the Southeastern power markets.

The Company continues to compete with other electric suppliers within the state. In Georgia, most new retail customers with at least 900 kilowatts of connected load may choose their electricity supplier. Various federal and state initiatives designed to promote wholesale and additional retail competition, among other things, include proposals that would allow customers to choose their electricity provider. As the initiatives materialize, the structure of the utility industry could radically change. Certain initiatives could result in a change in the ownership and/or operation of generation and transmission facilities. Numerous issues must be resolved, including significant ones relating to transmission pricing and recovery of stranded investments. Being a low-cost producer could provide significant opportunities to increase market share and profitability in markets that evolve with changing regulation. Unless the Company remains a low-cost producer and provides quality service, the Company's retail energy sales growth could be limited, and this could significantly erode earnings.

The Company is subject to the provisions of Financial Accounting Standards Board (FASB) Statement No. 71, Accounting for the Effects of Certain Types of Regulation. In the event that a portion of the Company's operations is no longer subject to these provisions, the Company would be required to write off related regulatory assets and liabilities, and determine if any other assets have been impaired. See Note 1 to the financial statements under "Regulatory Assets and Liabilities" for additional information.

The staff of the Securities and Exchange Commission has questioned certain of the current accounting practices of the electric utility industry -- including the Company's -- regarding the recognition, measurement, and classification of decommissioning costs for nuclear generating facilities in the financial statements. In response to these questions, the FASB has decided to review the accounting for liabilities related to closure and removal of long-lived assets, including nuclear decommissioning. If the FASB issues new accounting rules, the estimated costs of closing and removing the Company's nuclear and other facilities may be required to be recorded as liabilities in the Balance Sheets. Also, the annual provisions for such costs could change. Because of the Company's current ability to recover closure and removal costs through rates, these changes would not have a significant adverse effect on results of operations. See Note 1 to the financial statements under "Depreciation and Nuclear Decommissioning" for additional information.

FINANCIAL CONDITION

Plant Additions

In 1996 gross utility plant additions were $428 million. These additions were primarily related to transmission and distribution facilities and to the purchase of nuclear fuel. The funds needed for gross property additions are currently provided from operations. The Statements of Cash Flows provide additional details.

Financing Activities

In 1996, the Company continued to lower its financing costs by refinancing higher-cost issues. New issues during 1994 through 1996 totaled $1.6 billion and retirement or repayment of securities totaled $2.2 billion. The retirements included the redemption of $131 million and $133 million in 1995 and 1994, respectively, of first mortgage bonds with the proceeds from the Plant Scherer Unit 4 sales. Composite financing rates for long-term debt

and preferred stock for the years 1994 through 1996, as of year-end, were as follows:

	1996	1995	1994
Composite interest rate on long-term debt	6.39%	6.57%	7.14%
Composite preferred stock dividend rate	6.34	6.73	7.11

The Company's current securities ratings are as follows:

	Duff & Phelps	Moody's	Standard & Poor's
First Mortgage Bonds	AA-	A1	A+
Preferred Stock	A+	a2	A
Unsecured Bonds	A+	A2	A
Commercial Paper	D1+	P1	A1

In August 1996, Georgia Power Capital Trust I (Trust I), of which the Company owns all the common securities, issued $225 million of 7.75 percent mandatorily redeemable preferred securities. Substantially all of the assets of Trust I are $232 million aggregate principal amount of the Company's 7.75 percent Junior Subordinated Notes due June 30, 2036. In January 1997, Georgia Power Capital Trust II (Trust II), of which the Company owns all the common securities, issued $175 million of 7.60 percent mandatorily redeemable preferred securities. Substantially all of the assets of Trust II are $180 million aggregate principal amount of the Company's 7.60 percent Junior Subordinated Notes due December 31, 2046.

Liquidity and Capital Requirements

Cash provided from operations decreased by $31 million in 1996, primarily due to higher operating and maintenance expenses.

The Company estimates that construction expenditures for the years 1997 through 1999 will total $490 million, $479 million and $464 million, respectively. Investments in transmission and distribution facilities, enhancements to existing generating plants, additions of a co-owned combustion turbine generating plant, and equipment to comply with the provisions of the Clean Air Act are planned.

Cash requirements for improvement fund requirements, redemptions announced, and maturities of long-term debt and preferred stock are expected to total $436 million during 1997 through 1999.

As a result of requirements by the Nuclear Regulatory Commission, the Company has established external trust funds for the purpose of funding nuclear decommissioning costs. For 1997 through 1999, the amount to be funded totals $24 million annually. For additional information concerning nuclear decommissioning costs, see Note 1 to the financial statements under "Depreciation and Nuclear Decommissioning."

Sources of Capital

The Company expects to meet future capital requirements primarily using funds generated from operations and, if needed, by the issuance of new debt and equity securities, term loans, and short-term borrowings. To meet short-term cash needs and contingencies, the Company had approximately $1.1 billion of unused credit arrangements with banks at the beginning of 1997. See Note 9 to the financial statements under "Bank Credit Arrangements" for additional information.

The Company is required to meet certain coverage requirements specified in its mortgage indenture and corporate charter to issue new first mortgage bonds and preferred stock. The Company's ability to satisfy all coverage requirements is such that it could issue new first mortgage bonds and preferred stock to provide sufficient funds for all anticipated requirements.

Environmental Issues

In November 1990, the Clean Air Act was signed into law. Title IV of the Clean Air Act -- the acid rain compliance provision of the law -- is having a significant impact on the operating companies of Southern Company, including Georgia Power. Specific reductions in sulfur dioxide and nitrogen oxide emissions from fossil-fired generating plants are required in two phases. Phase I compliance began in 1995 and initially affected 28 generating units in the Southern electric system. As a result of Southern Company's compliance strategy, an additional 22 generating units were brought into compliance with Phase I requirements. Phase II compliance is required in 2000 and

all fossil-fired generating plants in the Southern electric system will be affected.

In 1995, the Environmental Protection Agency (EPA) began issuing annual sulfur dioxide emission allowances through the allowance trading program. An emission allowance is the authority to emit one ton of sulfur dioxide during a calendar year. The sulfur dioxide emission allowance program is expected to minimize the cost of compliance. Southern Company's sulfur dioxide compliance strategy is designed to use allowances as a compliance option.

Southern Company achieved Phase I sulfur dioxide compliance at the affected units by switching to low-sulfur coal, which has required some equipment upgrades. This compliance strategy resulted in unused emission allowances being banked for later use. Construction expenditures for Georgia Power's Phase I compliance totaled approximately $163 million.

For Phase II sulfur dioxide compliance, Southern Company could use emission allowances, increase fuel switching, and/or install flue gas desulfurization equipment at selected plants. Also, equipment to control nitrogen oxide emissions will be installed on additional system fossil-fired units as required to meet Phase II limits. Therefore, current compliance strategy could require total Phase II estimated construction expenditures, for the Company, of approximately $29 million of which $21 million remains to be spent. However, the full impact of Phase II compliance cannot now be determined with certainty, pending the continuing development of a market for emission allowances, the completion of EPA regulations, and the possibility of new emission reduction technologies.

An increase of up to 1 percent in Georgia Power's annual revenue requirements from customers could be necessary to fully recover the cost of compliance for both Phase I and Phase II of Title IV of the Clean Air Act. Compliance costs include construction expenditures, increased costs for switching to low-sulfur coal, and costs related to emission allowances.

A significant portion of costs related to the acid rain provision of the Clean Air Act is expected to be recovered through existing ratemaking provisions. However, there can be no assurance that all Clean Air Act costs will be recovered.

The EPA and state environmental regulatory agencies are reviewing and evaluating various matters including revisions to the ambient air quality standards for ozone and particulate matter; emission control strategies for ozone nonattainment areas; additional controls for hazardous air pollutant emissions; and hazardous waste disposal requirements. The impact of new standards will depend on the development and implementation of applicable regulations.

The Company must comply with other environmental laws and regulations that cover the handling and disposal of hazardous waste. Under these various laws and regulations, the Company could incur costs to clean up properties currently or previously owned. The Company conducts studies to determine the extent of any required clean-up costs and has recognized in the financial statements costs to clean up known sites. These costs for the Company amounted to $2 million, $8 million and $8 million, in 1996, 1995, and 1994, respectively. Additional sites may require environmental remediation for which the Company may be liable for a portion of or all required clean-up costs. See Note 3 to the financial statements under "Certain Environmental Contingencies" for information regarding the Company's potentially responsible party status at a site in Brunswick, Georgia and the status of sites listed on the State of Georgia's hazardous site inventory.

Several major pieces of environmental legislation are being considered for reauthorization or amendment by Congress. These include: the Clean Air Act, the Clean Water Act, the Comprehensive Environmental Response, Compensation, and Liability Act, the Resource Conservation and Recovery Act, the Toxic Substances Control Act, and the Endangered Species Act. Changes to these laws could affect many areas of the Company's operations. The full impact of any such changes cannot be determined at this time.

Compliance with possible additional legislation related to global climate change, electromagnetic fields and other environmental and health concerns could significantly affect the Company. The impact of new legislation -- if any -- will depend on the subsequent development and implementation of applicable regulations. In addition, the potential exists for liability as the result of lawsuits alleging damages caused by electromagnetic fields.

STATEMENTS OF INCOME

For the Years Ended December 31, 1996, 1995, and 1994
Georgia Power Company 1996 Annual Report

	1996	1995	1994
		(in thousands)	
Operating Revenues:			
Revenues	$ 4,380,893	$ 4,328,432	$ 4,101,504
Revenues from affiliates	35,886	76,906	60,899
Total operating revenues	4,416,779	4,405,338	4,162,403
Operating Expenses:			
Operation --			
Fuel	835,194	900,973	870,653
Purchased power from non-affiliates	157,308	183,009	193,130
Purchased power from affiliates	229,324	131,740	158,063
Provision for separation benefits	39,099	10,607	82,238
Other	741,383	735,918	643,375
Maintenance	315,934	292,029	272,818
Depreciation and amortization	432,940	421,850	379,158
Amortization of deferred Plant Vogtle costs, net (Note 1)	136,650	124,454	74,888
Taxes other than income taxes	207,098	204,675	194,566
Federal and state income taxes	435,904	449,204	399,413
Total operating expenses	3,530,834	3,454,459	3,268,302
Operating Income	885,945	950,879	894,101
Other Income (Expense):			
Allowance for equity funds used during construction	3,144	2,734	5,663
Equity in earnings of unconsolidated subsidiary (Note 4)	3,851	4,051	3,588
Interest income	5,333	5,524	3,254
Other, net	(43,502)	(8,973)	10,626
Income taxes applicable to other income	18,581	3,022	7,975
Income Before Interest Charges	873,352	957,237	925,207
Interest Charges and Other:			
Interest on long-term debt	207,851	254,607	306,473
Allowance for debt funds used during construction	(11,416)	(12,081)	(11,571)
Interest on interim obligations	15,478	21,463	17,529
Amortization of debt discount, premium, and expense, net	14,790	15,835	15,743
Other interest charges	6,338	11,399	23,183
Distributions on preferred securities of subsidiary companies	14,958	9,000	300
Interest charges and other, net	247,999	300,223	351,657
Net Income	625,353	657,014	573,550
Dividends on Preferred Stock	45,026	48,152	48,006
Net Income After Dividends on Preferred Stock	$ 580,327	$ 608,862	$ 525,544

The accompanying notes are an integral part of these statements

STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 1996, 1995, and 1994
Georgia Power Company 1996 Annual Report

	1996	1995	1994
		(in thousands)	
Operating Activities:			
Net income	$ 625,353	$ 657,014	$ 573,550
Adjustments to reconcile net income to net cash provided by operating activities --			
Depreciation and amortization	521,086	527,310	484,032
Deferred income taxes and investment tax credits, net	35,700	37,150	33,567
Allowance for equity funds used during construction	(3,144)	(2,734)	(5,663)
Amortization of deferred Plant Vogtle costs, net	136,650	124,454	74,888
Non-cash portion of separation benefits	-	-	68,599
Loss (gain) on asset sales	3,766	(23,588)	(22,717)
Other, net	49,649	23,722	(72,597)
Changes in certain current assets and liabilities --			
Receivables, net	9,421	(59,370)	67,218
Inventories	55,753	30,761	(63,545)
Payables	(35,651)	45,882	5,409
Taxes accrued	11,766	11,373	(60,474)
Energy cost recovery, retail	679	42,576	55,505
Other	(24,040)	3,473	(706)
Net cash provided from operating activities	1,386,988	1,418,023	1,137,066
Investing Activities:			
Gross property additions	(428,220)	(480,449)	(638,426)
Sales of property	3,319	131,099	132,644
Other	(16,468)	(42,579)	(41,273)
Net cash used for investing activities	(441,369)	(391,929)	(547,055)
Financing Activities:			
Proceeds --			
Preferred securities	225,000	-	100,000
First mortgage bonds	10,000	75,000	-
Pollution control bonds	112,825	504,700	527,210
Retirements --			
Preferred stock	(179,148)	-	-
First mortgage bonds	(210,860)	(505,789)	(133,559)
Pollution control bonds	(119,665)	(504,810)	(510,320)
Other long-term debt	-	(37,000)	(10,187)
Interim obligations, net	30,166	(24,472)	(57,425)
Special deposits -- redemption funds	(44,154)	-	-
Capital distribution to parent company	(250,000)	-	-
Payment of preferred stock dividends	(46,911)	(48,419)	(47,147)
Payment of common stock dividends	(475,500)	(451,500)	(429,300)
Miscellaneous	(10,646)	(17,413)	(22,640)
Net cash used for financing activities	(959,193)	(1,009,703)	(583,368)
Net Change in Cash and Cash Equivalents	(13,574)	16,391	6,643
Cash and Cash Equivalents at Beginning of Year	28,930	12,539	5,896
Cash and Cash Equivalents at End of Year	$ 15,356	$ 28,930	$ 12,539
Supplemental Cash Flow Information:			
Cash paid during the year for --			
Interest (net of amount capitalized)	$ 249,434	$ 298,482	$ 336,125
Income taxes (net of refunds)	373,886	404,129	386,653

The accompanying notes are an integral part of these statements

BALANCE SHEETS
At December 31, 1996 and 1995
Georgia Power Company 1996 Annual Report

ASSETS	1996	1995
	(in thousands)	
Utility Plant:		
Plant in service	$ 14,769,573	$ 14,538,595
Less accumulated provision for depreciation	4,793,638	4,417,120
	9,975,935	10,121,475
Nuclear fuel, at amortized cost	121,840	124,849
Construction work in progress (Note 4)	256,141	236,715
Total	10,353,916	10,483,039
Other Property and Investments:		
Southern Electric Generating Company, at equity (Note 4)	26,032	27,232
Nuclear decommissioning trusts, at market	130,178	92,273
Miscellaneous	103,787	120,383
Total	259,997	239,838
Current Assets:		
Cash and cash equivalents	15,356	28,930
Receivables-		
Customer accounts receivable	392,328	418,749
Other accounts receivable	159,499	102,953
Affiliated companies	20,095	15,482
Accumulated provision for uncollectible accounts	(4,000)	(5,000)
Fossil fuel stock, at average cost	117,382	145,151
Materials and supplies, at average cost	258,820	286,804
Prepayments	109,771	107,764
Vacation pay deferred	39,965	35,543
Total	1,109,216	1,136,376
Deferred Charges:		
Deferred charges related to income taxes (Note 8)	818,418	871,783
Deferred Plant Vogtle costs (Note 1)	170,988	307,638
Premium on reacquired debt, being amortized	166,670	174,018
Debt expense, being amortized	32,693	27,227
Miscellaneous	159,153	230,306
Total	1,347,922	1,610,972
Total Assets	$ 13,071,051	$ 13,470,275

The accompanying notes are an integral part of these statements

BALANCE SHEETS

At December 31, 1996 and 1995

Georgia Power Company 1996 Annual Report

CAPITALIZATION AND LIABILITIES	1996	1995
	(in thousands)	
Capitalization (See accompanying statements):		
Common stock equity	$ 4,154,281	$ 4,299,012
Preferred stock	464,611	692,787
Company obligated mandatorily redeemable preferred securities of subsidiaries substantially all of whose assets are junior subordinated debentures or notes (Note 9)	325,00	100,000
Long-term debt	3,200,419	3,315,460
Total	8,144,311	8,407,259
Current Liabilities:		
Preferred stock due within one year (Note 9)	49,028	-
Long-term debt due within one year (Note 9)	60,622	150,446
Notes payable to banks (Note 9)	207,300	178,000
Commercial paper (Note 9)	223,196	222,330
Accounts payable-		
Affiliated companies	66,821	72,878
Other	263,093	316,278
Customer deposits	64,901	53,145
Taxes accrued-		
Federal and state income	15,497	7,759
Other	100,661	96,633
Interest accrued	79,936	96,162
Vacation pay accrued	38,597	34,233
Miscellaneous	114,530	137,184
Total	1,284,182	1,365,048
Deferred Credits and Other Liabilities:		
Accumulated deferred income taxes (Note 8)	2,522,945	2,510,458
Accumulated deferred investment tax credits	415,477	432,184
Deferred credits related to income taxes (Note 8)	382,381	410,016
Employee benefits provisions	186,319	182,082
Disallowed Plant Vogtle capacity buyback costs (Note 4)	57,250	58,514
Miscellaneous	78,186	104,714
Total	3,642,558	3,697,968
Commitments and Contingent Matters (Notes 1 through 7)		
Total Capitalization and Liabilities	$ 13,071,051	$ 13,470,275

The accompanying notes are an integral part of these statements

STATEMENTS OF CAPITALIZATION

At December 31, 1996 and 1995

Georgia Power Company 1996 Annual Report

		1996	1995	1996	1995
		(in thousands)		(percent of total)	
Common Stock Equity:					
Common stock, without par value --					
Authorized -- 15,000,000 shares					
Outstanding -- 7,761,500 shares		$ 344,250	$ 344,250		
Paid-in capital		2,134,886	2,384,444		
Premium on preferred stock		371	413		
Retained earnings (Note 9)		1,674,774	1,570,905		
Total common stock equity		4,154,281	4,299,012	51.0 %	51.1 %
Cumulative Preferred Stock, without par value:					
Authorized -- 55,000,000 shares					
Outstanding -- 16,111,964 shares					
$100 stated value --					
4.60% to 6.60%		117,787	117,787		
7.72% to 7.80%		30,000	105,000		
$25 stated value --					
$1.90 to $2.125		190,852	295,000		
Adjustable rate -- at January 1, 1997:					
5.20%		100,000	100,000		
5.66%		75,000	75,000		
Total cumulative preferred stock (annual dividend requirement -- $32,580,000)		513,639	692,787		
Less amount due within one year (Note 9)		49,028	-		
Cumulative preferred stock excluding amount due within one year		464,611	692,787	5.7	8.2
Company Obligated Mandatorily Redeemable Preferred Securities (Note 9):					
$25 liquidation value -- 9%		100,000	100,000		
$25 liquidation value -- 7.75%		225,000	-		
Total (annual distribution requirement -- $26,438,000)		325,000	100,000	4.0	1.2
Long-Term Debt:					
First mortgage bonds --					
Maturity	Interest Rates				
March 1, 1996	4 3/4%	-	150,000		
April 1, 1998	5 1/2%	100,000	100,000		
September 1, 1999	6 1/8%	195,000	195,000		
March 1, 2000	6%	100,000	100,000		
October 1, 2000	7%	100,000	100,000		
2002 through 2005	6.07% to 6 7/8%	435,000	425,000		
2008	6 7/8%	50,000	50,000		
2022 through 2025	7.55% to 8 5/8%	534,508	595,368		
Total first mortgage bonds		1,514,508	1,715,368		
Pollution control obligations (Note 9)		1,671,190	1,678,030		
Other long-term debt (Note 9)		87,114	87,400		
Unamortized debt discount, net		(11,771)	(14,892)		
Total long-term debt (annual interest requirement -- $209,047,000)		3,261,041	3,465,906		
Less amount due within one year (Note 9)		60,622	150,446		
Long-term debt excluding amount due within one year		3,200,419	3,315,460	39.1	39.5
Total Capitalization		$ 8,144,311	$ 8,407,259	100.0 %	100.0 %

The accompanying notes are an integral part of these statements

STATEMENTS OF RETAINED EARNINGS

For the Years Ended December 31, 1996, 1995, and 1994
Georgia Power Company 1996 Annual Report

	1996	1995	1994
		(in thousands)	
Balance at Beginning of Period	**$ 1,569,905**	$ 1,412,543	$ 1,316,447
Net income after dividends on preferred stock	**580,327**	608,862	525,544
Cash dividends on common stock	**(475,500)**	(451,500)	(429,300)
Preferred stock transactions, net	**42**	-	(148)
Balance at End of Period (Note 9)	**$ 1,674,774**	$ 1,569,905	$ 1,412,543

STATEMENTS OF PAID-IN CAPITAL

For the Years Ended December 31, 1996, 1995, a. .994
Georgia Power Company 1996 Annual Report

	1996	1995	1994
		(in thousands)	
Balance at Beginning of Period	**$ 2,384,444**	$ 2,384,348	$ 2,384,348
Capital distribution to parent company	**(250,000)**	-	-
Contributions to capital by parent company	**442**	96	-
Balance at End of Period	**$ 2,134,886**	$ 2,384,444	$ 2,384,348

The accompanying notes are an integral part of these statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General

The Company is a wholly owned subsidiary of Southern Company, which is the parent company of five operating companies, Southern Company Services (SCS), a system service company, Southern Communications Services (Southern Communications), Southern Energy, Inc. (Southern Energy), Southern Nuclear Operating Company (Southern Nuclear), The Southern Development and Investment Group (Southern Development), and other direct and indirect subsidiaries. The operating companies (Alabama Power Company, Georgia Power Company, Gulf Power Company, Mississippi Power Company, and Savannah Electric and Power Company) provide electric service in four Southeastern states. Contracts among the operating companies -- dealing with jointly owned generating facilities, interconnecting transmission lines, and the exchange of electric power -- are regulated by the Federal Energy Regulatory Commission (FERC) or the Securities and Exchange Commission (SEC). SCS provides, at cost, specialized services to Southern Company and subsidiary companies. Southern Communications provides digital wireless communications services to the operating companies and also markets these services to the public within the Southeast. Southern Energy designs, builds, owns, and operates power production and delivery facilities and provides a broad range of energy related services in the United States and international markets. Southern Nuclear provides services to Southern Company's nuclear power plants. Southern Development develops new business opportunities related to energy products and services.

Southern Company is registered as a holding company under the Public Utility Holding Company Act of 1935 (PUHCA). Both Southern Company and its subsidiaries are subject to the regulatory provisions of this act. The Company is also subject to regulation by the FERC and the Georgia Public Service Commission (GPSC). The Company follows generally accepted accounting principles (GAAP) and complies with the accounting policies and practices prescribed by the respective regulatory commissions. The preparation of financial statements in conformity with GAAP requires the use of estimates, and the actual results may differ from these estimates.

Certain prior years' data presented in the financial statements have been reclassified to conform with current year presentation.

Regulatory Assets and Liabilities

The Company is subject to the provisions of Financial Accounting Standards Board (FASB) Statement No. 71, Accounting for the Effects of Certain Types of Regulation. Regulatory assets represent probable future revenues to the Company associated with certain costs that are expected to be recovered from customers through the ratemaking process. Regulatory liabilities represent probable future reductions in revenues associated with amounts that are to be credited to customers through the ratemaking process. Regulatory assets and (liabilities) reflected in the Company's Balance Sheets at December 31 relate to the following:

	1996	1995
	(in millions)	
Deferred income taxes	$ 818	$ 872
Deferred income tax credits	(382)	(410)
Deferred Plant Vogtle costs	171	308
Premium on reacquired debt	167	174
Corporate building lease	51	49
Demand-side program costs	44	79
Vacation pay	40	36
Postretirement benefits	38	53
Department of Energy assessments	32	33
Inventory conversions	(18)	(31)
Other, net	27	36
Total	$ 988	$1,199

In the event that a portion of the Company's operations is no longer subject to the provisions of Statement No. 71, the Company would be required to write off related regulatory assets and liabilities. In addition, the Company would be required to determine any impairment to other assets, including plant, and write down the assets, if impaired, to their fair value.

Revenues and Fuel Costs

The Company accrues revenues for service rendered but unbilled at the end of each fiscal period. Fuel costs are expensed as the fuel is used. The Company's electric rates include provisions to adjust billings for fluctuations in fuel and the energy component of purchased power costs. Revenues are adjusted for differences between recoverable fuel costs and amounts act .ally recovered in current rates.

The Company has a diversified base of customers. No single customer or industry comprises 10 percent or more of revenues. In 1996, uncollectible accounts continued to average less than 1 percent of revenues.

Fuel expense includes the amortization of the cost of nuclear fuel and a charge, based on nuclear generation, for the permanent disposal of spent nuclear fuel. Total charges for nuclear fuel included in fuel expense amounted to $78 million in 1996, $86 million in 1995, and $87 million in 1994. The Company has a contract with the U.S. Department of Energy (DOE) that provides for the permanent disposal of spent nuclear fuel, which was scheduled to begin in 1998. However, the actual year this service will begin is uncertain. Sufficient storage capacity currently is available to permit operation into 2003 at Plant Hatch and into 2008 at Plant Vogtle. Activities for adding dry cast storage capacity at Plant Hatch by as early as 1999 are in progress.

Also, the Energy Policy Act of 1992 required the establishment in 1993 of a U anium Enrichment Decontamination and Decommissioning Fund, which is to be funded in part by a special assessment on utilities with nuclear plants. This fund will be used by the DOE for the decontamination and decommissioning of its nuclear fuel enrichment facilities. The assessment will be paid over a 15-year period, which began in 1993. The law provides that utilities will recover these payments in the same manner as any other fuel expense. The Company -- based on its ownership interests -- estimates its remaining liability under this law at December 31, 1996, to be approximately $30 million. This obligation is recorded in the accompanying Balance Sheets.

Depreciation and Nuclear Decommissioning

Depreciation of the original cost of depreciable utility plant in service is provided primarily by using composite straight-line rates, which approximated 3.1 percent in 1996, 3.2 percent in 1995 and 3.1 percent in 1994. In addition, the Company recorded accelerated depreciation of electric plant of $24 million in 1996 and $6 million in 1995. The amount of such charges in the accumulated provision for depreciation is $30 million at December 31, 1996. When property subject to depreciation is retired or otherwise disposed of in the normal course of business, its cost -- together with the cost of removal, less salvage -- is charged to the accumulated provision for depreciation. Minor items of property included in the original cost of the plant are retired when the related property unit is retired. Depreciation expense includes an amount for the expected costs of decommissioning nuclear facilities and removal of other facilities.

In 1988, the Nuclear Regulatory Commission (NRC) adopted regulations requiring all licensees operating commercial nuclear power reactors to establish a plan for providing, with reasonable assurance, funds for decommissioning. The Company has established external trust funds to comply with the NRC's regulations. Amounts previously recorded in internal reserves are being transferred into the external trust funds over a set period of time as ordered by the GPSC. Earnings on the trust funds are considered in determining decommissioning expense. The NRC's minimum external funding requirements are based on a generic estimate of the cost to decommission the radioactive portions of a nuclear unit based on the size and type of reactor. The Company has filed plans with the NRC to ensure that -- over time -- the deposits and earnings of the external trust funds will provide the minimum funding amounts prescribed by the NRC.

Site study cost is the estimate to decommission the facility as of the site study year, and ultimate cost is the estimate to decommission the facility as of the retirement

date. The estimated costs of decommissioning -- both site study costs and ultimate costs at December 31, 1996 -- based on the Company's ownership interests -- were as follows:

	Plant Hatch	Plant Vogtle
Site study basis (year)	1994	1994
Decommissioning periods:		
Beginning year	2014	2027
Completion year	2027	2038
	(in millions)	
Site study costs:		
Radiated structures	$294	$233
Non-radiated structures	41	52
Total	$335	$285
	(in millions)	
Ultimate costs:		
Radiated structures	$781	$1,018
Non-radiated structures	111	230
Total	$892	$1,248
	(in millions)	
Amount expensed in 1996	$ 11	$ 9
Accumulated provisions:		
Balance in external trust funds	$ 79	$ 51
Balance in internal reserves	27	13
Total	$106	$ 64
Significant assumptions:		
Inflation rate	4.4%	4.4%
Trust earnings rate	6.0	6.0

Annual provisions for nuclear decommissioning are based on an annuity method as approved by the GPSC. The decommissioning costs included in cost of service are based on the higher of the costs to decommission the radioactive portions of the plants based on 1994 site studies or the NRC minimum funding requirements. The Company expects the GPSC to periodically review and adjust, if necessary, the amounts collected in rates for the anticipated cost of decommissioning.

The decommissioning cost estimates are based on prompt dismantlement and removal of the plant from service. The actual decommissioning costs may vary from the above estimates because of changes in the assumed date of decommissioning, changes in NRC requirements, changes in the assumptions used in making estimates, changes in regulatory requirements, changes in technology, and changes in costs of labor, materials, and equipment.

Income Taxes

The Company uses the liability method of accounting for deferred income taxes and provides deferred income taxes for all significant income tax temporary differences. Investment tax credits utilized are deferred and amortized to income over the average lives of the related property.

Plant Vogtle Phase-In Plans

In 1987 and 1989, the GPSC ordered that the allowed costs of Plant Vogtle, a two-unit nuclear facility of which Georgia Power owns 45.7 percent, be phased into rates. Pursuant to the orders, the Company recorded a deferred return under phase-in plans until October 1991 when the allowed investment was fully reflected in rates. In 1991, the GPSC levelized the remaining Plant Vogtle declining capacity buyback expenses over a six-year period. In addition, the Company deferred certain Plant Vogtle operating expenses and financing costs under accounting orders issued by the GPSC. These GPSC orders provide for the recovery of deferred costs within 10 years.

Allowance for Funds Used During Construction (AFUDC)

AFUDC represents the estimated debt and equity costs of capital funds that are necessary to finance the construction of new facilities. While cash is not realized currently from such allowance, it increases the revenue requirement over the service life of the plant through a higher rate base and higher depreciation expense. For the years 1996, 1995 and 1994, the average AFUDC rates were 6.59 percent, 6.53 percent and 6.18 percent, respectively. AFUDC, net of taxes, as a percentage of net income after dividends on preferred stock, was less than 2.5 percent for 1996, 1995, and 1994.

Utility Plant

Utility plant is stated at original cost with the exception of Plant Vogtle, which is stated at cost less regulatory disallowances. Original cost includes: materials; labor, payroll-related costs such as taxes, pensions, and other benefits, and the cost of funds used during construction. The cost of maintenance, repairs, and replacement of minor items of property is charged to maintenance expense. The cost of replacements of property (exclusive of minor items of property) is charged to utility plant.

Cash and Cash Equivalents

For purposes of the Statements of Cash Flows, temporary cash investments are considered cash equivalents. Temporary cash investments are securities with original maturities of 90 days or less

Financial Instruments

The Company's financial instruments for which the carrying amounts did not approximate fair value at December 31 were as follows:

	Carrying Amount	Fair Value
Long-term debt	(in millions)	
At December 31, 1996	**$3,174**	**$3,206**
At December 31, 1995	3,378	3,487
Preferred Securities:		
At December 31, 1996	**325**	**333**
At December 31, 1995	100	114

The fair values for securities were based on either closing market prices or closing prices of comparable instruments

Materials and Supplies

Generally, materials and supplies include the cost of transmission, distribution and generating plant materials. Materials are charged to inventory when purchased and then expensed or capitalized to plant, as appropriate, when installed

2. RETIREMENT BENEFITS

Pension Plan

The Company has a defined benefit, trusteed, non-contributory pension plan covering substantially all regular employees. Benefits are based on one of the following formulas: years of service and final average pay or years of service and a flat-dollar benefit. The Company uses the "entry age normal method with a frozen initial liability" actuarial method for funding purposes, subject to limitations under federal income tax regulations. Amounts funded to the pension trusts are primarily invested in equity and fixed-income securities. FASB Statement No. 87, Employers' Accounting for Pensions, requires use of the "projected unit credit" actuarial method for financial reporting purposes

Postretirement Benefits

The Company also provides certain medical care and life insurance benefits for retired employees. Substantially all employees may become eligible for these benefits when they retire. Qualified trusts are funded to the extent deductible under federal income tax regulations and to the extent required by the GPSC and the FERC. During 1996 and 1995, the Company funded $25 million and $21 million, respectively, to the qualified trusts. Amounts funded are primarily invested in debt and equity securities

FASB Statement No. 106, Employers' Accounting for Postretirement Benefits Other Than Pensions, requires that medical care and life insurance benefits for retired employees be accounted for on an accrual basis using a specified actuarial method, "benefit/years-of-service." In October 1993, the GPSC ordered the Company to phase in the adoption of Statement No. 106 to cost of service over a five-year period, whereby one-fifth of the additional cost was expensed in 1993, and the remaining additional costs were deferred. An additional one-fifth of the costs will be expensed each succeeding year until the costs are fully reflected in cost of service in 1997. The cost deferred during the five-year period will be amortized to expense over a 15-year period beginning in 1998

Funded Status and Cost of Benefits

The following tables show actuarial results and assumptions for pension and postretirement benefits as computed under the requirements of FASB Statement Nos 87 and 106, respectively. The funded status of the plans at December 31 was as follows:

	Pension	
	1996	1995
	(in millions)	
Actuarial present value of benefit obligations:		
Vested benefits	$ 806	$ 830
Non-vested benefits	52	43
Accumulated benefit obligation	858	873
Additional amounts related to projected salary increases	314	290
Projected benefit obligation	1,172	1,163
Less		
Fair value of plan assets	1,797	1,688
Unrecognized net gain	(591)	(465)
Unrecognized prior service cost	56	26
Unrecognized transition asset	(47)	(52)
Prepaid asset recognized in the Balance Sheets	$ 43	$ 34

	Postretirement Benefits	
	1996	1995
	(in millions)	
Actuarial present value of benefit obligation:		
Retirees and dependents	$217	$214
Employees eligible to retire	29	16
Other employees	184	188
Accumulated benefit obligation	430	418
Less		
Fair value of plan assets	112	81
Unrecognized net loss	50	44
Unrecognized transition obligation	157	186
Accrued liability recognized in the Balance Sheets	$111	$107

In 1995, the Company announced a cost sharing program for postretirement benefits. The program establishes limits on amounts the Company will pay to provide future retiree postretirement benefits. This change reduced the 1995 accumulated postretirement benefit obligation by approximately $97 million.

The weighted average rates used in actuarial calculations were:

	1996	1995	1994
Discount	7.8%	7.3%	8.0%
Annual salary increase	5.3	4.8	5.5
Long-term return on plan assets	8.5	8.5	8.5

An additional assumption used in measuring the accumulated postretirement medical benefit obligation was a weighted average medical care cost trend rate of 9.3 percent for 1996, decreasing gradually to 5.8 percent through the year 2005 and remaining at that level thereafter. An annual increase in the assumed medical care cost trend rate of 1 percent would increase the accumulated benefit obligation as of December 31, 1996, by $42 million and the aggregate of the service and interest cost components of the net postretirement cost by $4 million.

The components of the plans' net costs are shown below:

	Pension		
	1996	1995	1994
	(in millions)		
Benefits earned during the year	$ 35	$ 33	$ 34
Interest cost on projected benef.. obligation	86	78	71
Actual (return) loss on plan assets	(202)	(317)	35
Net amortization (deferral)	62	185	(160)
Net pension cost	$ (19)	$ (21)	$ (20)

Net pension costs were negative in 1996, 1995 and 1994. Of net pension amounts recorded, $14 million in 1996 and $15 million in 1995 and 1994 were recorded as a reduction to operating expense, and the remainder was recorded as a reduction to construction and other accounts.

	Postretirement Benefits		
	1996	1995	1994
	(in millions)		
Benefits earned during the year	$ 9	$13	$15
Interest cost on accumulated benefit obligation	30	34	33
Amortization of transition obligation	9	16	15
Actual (return) loss on plan assets	(6)	(8)	1
Net amortization (deferral)	3	4	(3)
Net postretirement cost	$45	$59	$61

Of the above net postretirement benefit costs recorded, $29 million in 1996, $33 million in 1995, and $28 million in 1994 were charged to operating expenses. In addition, $3 million in 1996, $11 million in 1995, and $18 million in 1994 were deferred, and the remainder was charged to construction and other accounts. During 1996, the Company expensed an additional $19 million due to an adjustment to amounts previously deferred under the GPSC order as a result of changes in the postretirement benefit plan.

Work Force Reduction Programs

The Company has incurred costs for work force reduction programs. The costs related to these programs were $39 million in 1996, $11 million in 1995 and $82 million in 1994. Additionally, the Company recognized $9 million in 1996, $3 million in 1995, and $8 million in 1994 for its share of costs associated with SCS's work force reduction programs.

3. REGULATORY AND LITIGATION MATTERS

Retail Accounting Order

On February 16, 1996, the GPSC approved a three-year accounting order for the Company. Under the order, effective January 1, 1996, the Company's earnings are evaluated against a retail return on common equity range of 10 percent to 12.5 percent. Earnings in excess of 12.5 percent will be used to accelerate the amortization of regulatory assets or depreciation of electric plant. At its option, the Company may also recognize accelerated amortization or depreciation of assets within the allowed return on common equity range. The Company is required to absorb cost increases of approximately $29 million annually during the order's three-year operation, including $14 million annually of accelerated depreciation of electric plant. During the order's operation, the Company will not file for a general base rate increase unless its projected retail return on common equity falls below 10 percent. Under the approved order, on July 1, 1998 the Company will make a general rate case filing in response to which the GPSC would be expected either to continue the provisions of the accounting order or adopt different ones. The Company's 1997 retail return on common equity was within the 10 percent to 12.5 percent range.

In November 1996, on appeal by a consumer group, the Superior Court of Fulton County, Georgia, reversed the GPSC's accounting order and remanded the matter to the GPSC. The Court found that statutory requirements applicable to rate cases should have been, but were not, followed. The GPSC subsequently appealed the Superior Court's decision. In December 1996, the Company also filed for an appeal. The Company is continuing to recognize expenses in accordance with the accounting order while it is under appeal.

Rocky Mountain Plant Status

In its 1985 financing order, the GPSC concluded that completion of the Rocky Mountain pumped storage hydroelectric plant in 1991, as then planned, was not economically justifiable and reasonable and withheld authorization for the Company to spend funds from approved securities issuances on that plant. AFUDC accrued on the Rocky Mountain plant was not credited to income or included in the plant's cost since December 1985. In 1988, the Company and OPC entered into a joint ownership agreement for OPC to assume responsibility for the construction and operation of the plant, as discussed in Note 6. In 1995, the plant went into commercial operation. However, full recovery of the Company's 25.4 percent ownership interest depends on the GPSC's treatment of the plant's costs and disposition of the plant's capacity output. In June 1996, the GPSC initiated a review of the Rocky Mountain pumped storage hydroelectric plant. In the event the GPSC does not allow full recovery of the plant's costs, then the portion not allowed may have to be written off. At December 31, 1996, the Company's net investment in the plant was approximately $175 million.

The final outcome of this matter cannot now be determined. Accordingly, no provision for any write-down of the investment in the plant has been made.

Demand-Side Conservation Programs

In October 1993, a Superior Court of Fulton County, Georgia, judge ruled that rate riders previously approved by the GPSC for recovery of the Company's costs incurred in connection with demand-side conservation programs were unlawful. The Company suspended collection of the demand-side conservation costs and appealed the court's decision to the Georgia Court of Appeals. The Company deferred costs related to these programs under an accounting order approved by the GPSC until December 1994, when the Company resumed collection under the rate riders after the Georgia Court of Appeals upheld their legality. In August 1995, the GPSC ordered the Company to discontinue its current demand-side conservation programs by the end of 1995. The rate riders will remain in effect until costs deferred are collected, which is expected to be by the end of 1997.

Under the Retail Accounting Order approved February 16, 1996, the Company will recognize approximately $29 million of deferred program costs over a three-year period which will not be recovered through the riders.

FERC Review of Equity Returns

In May 1991, the FERC ordered that hearings be conducted concerning the reasonableness of the Southern electric system's wholesale rate schedules and contracts that have a return on common equity of 13.75 percent or greater. The contracts that could be affected by the hearings include substantially all of the transmission, unit power, long-term power, and other similar contracts.

In August 1992, a FERC administrative law judge issued an opinion that changes in rate schedules and contracts were not necessary and that the FERC staff failed to show how any changes were in the public interest. The FERC staff has filed exceptions to the administrative law judge's opinion, and the matter remains pending before the FERC.

In August 1994, the FERC instituted another proceeding based on substantially the same issues as in the 1991 proceeding. In November 1995, a FERC administrative law judge issued an opinion that the FERC staff failed to meet its burden of proof, and therefore no change in the equity return was necessary. The FERC staff has filed exceptions to the administrative law judge's opinion, and the matter remains pending before the FERC.

If the rates of return on common equity recommended by the FERC staff were applied to all the schedules and contracts involved in both proceedings, as well as certain other contracts that reference these proceedings in determining return on common equity and if refunds were ordered, the amount of refunds could range up to approximately $61 million at December 31, 1996. However, management believes that rates are not excessive, and that refunds are not justified.

Certain Environmental Contingencies

In January 1995, the Company and four other unrelated entities were notified by the EPA that they have been designated as potentially responsible parties under the Comprehensive Environmental Response, Compensation and Liability Act with respect to a site in Brunswick, Georgia. As of December 31, 1996, the Company has recognized approximately $5 million in expenses associated with this site. This represents the Company's agreed upon share of removal and remedial investigation and feasibility study costs. The final outcome of this matter cannot now be determined. However, based on the nature and extent of the Company's activities relating to the site, management believes that the Company's portion of any remaining remediation costs should not be material.

In compliance with the Georgia Hazardous Site Response Act of 1993, the State of Georgia was required to compile an inventory of all known or suspected sites where hazardous wastes, constituents or substances have been disposed of or released in quantities deemed reportable by the State. In developing this list, the State identified several hundred properties throughout the State, including 25 sites which may require environmental remediation that were either previously or are currently owned by the Company. The majority of these sites are electrical power substations and power generation facilities. The Company has remediated seven electrical substations on the list at a cost of approximately $1 million. In addition, the Company has recognized approximately $16 million in expenses through December 31, 1996 for the assessment of the remaining sites on the list and the anticipated clean-up cost for 13 sites that the Company plans to remediate. The accrued costs for environmental remediation obligations are not discounted to

their present value. Any cost of remediating the remaining sites cannot presently be determined until such studies are completed for each site and the State of Georgia determines whether remediation is required. If all listed sites were required to be remediated, the Company could incur expenses of up to approximately $15 million in additional clean-up costs and construction expenditures of up to approximately $65 million to develop new waste management facilities or install additional pollution control devices.

Wholesale Litigation

In July 1994, Oglethorpe Power Corporation (OPC) and the Municipal Electric Authority of Georgia (MEAG) filed a joint complaint with the FERC seeking to recover from the Company an aggregate of approximately $16.5 million in alleged partial requirements rates overcharges, plus approximately $6.3 million in interest. OPC and MEAG claimed that the Company improperly reflected in such rates costs associated with capacity that had previously been sold to Gulf States pursuant to a unit power sales contract or, alternatively, that they should be allocated a portion of the proceeds received by the Company as a result of a settlement with Gulf States of litigation arising out of such contract. In November 1996, the Company reached a settlement with OPC, MEAG and the City of Dalton to pay the parties an aggregate of $14 million. The settlement has been approved by the FERC.

In May 1996, MEAG filed a complaint with the FERC seeking termination as of December 31, 1996 of the partial requirements tariff pursuant to which the Company currently sells wholesale energy to MEAG. The complaint also sought refunds in an unspecified amount as a result of alleged overcharges by the Company under the tariff for the years 1993 through 1996. In June 1996, the Company filed a response with the FERC requesting that its partial requirements service obligation to MEAG be terminated as of the date sought by MEAG. On January 10, 1997, the Company and MEAG reached an agreement to enter into a new power supply relationship which would replace in their entirety the partial requirements tariff and the scheduling services agreement between the Company and MEAG. The agreement required the parties to formalize a new contractual relationship and within approximately 45 days file the new contract with the FERC for approval. Under the agreement, the Company does not owe MEAG any refunds for alleged overcharges for the years specified.

Nuclear Performance Standards

In October 1989, the GPSC adopted a nuclear performance standard for the Company's nuclear generating units under which the performance of plants Hatch and Vogtle will be evaluated every three years. The performance standard is based on each unit's capacity factor as compared to the average of all comparable U.S. nuclear units operating at a capacity factor of 50 percent or higher during the three-year period of evaluation. Depending on the performance of the units, the Company could receive a monetary reward or penalty under the performance standards criteria.

The first evaluation was conducted in 1993 for performance during the 1990-92 period. The GPSC approved a performance reward of approximately $8.5 million for the Company. This reward was collected through the retail fuel cost recovery provision and recognized in income over a 36-month period which ended in October 1996. In January 1997, the GPSC approved a performance award of approximately $11.7 million for performance during the 1993-95 period. This reward will be collected through the retail fuel cost recovery provision and recognized in income over a 36-month period beginning January 1997.

4. COMMITMENTS

Construction Program

While the Company has no traditional baseload generating plants under construction, the construction of one jointly owned combustion turbine peaking unit was completed in January 1997. In addition, significant construction of transmission and distribution facilities, and projects to upgrade and extend the useful life of generating plants will continue. The Company currently estimates property additions to be approximately $490 million in 1997, $479 million in 1998, and $464 million in 1999. The estimates for property additions for the three-year period include $31 million committed to meeting the requirements of the Clean Air Act.

The construction program is subject to periodic review and revision, and actual construction costs may vary from estimates because of numerous factors, including, but not

limited to, changes in business conditions, load growth estimates, environmental regulations, and regulatory requirements

Fuel Commitments

To supply a portion of the fuel requirements of its generating plants, the Company has entered into various long-term commitments for the procurement of fossil and nuclear fuel. In most cases, these contracts contain provisions for price escalations, minimum purchase levels and other financial commitments. Total estimated long-term fossil and nuclear fuel commitments at December 31, 1996 were as follows:

Year	Minimum Obligations
	(in millions)
1997	$ 833
1998	679
1999	512
2000	423
2001	358
2002 and beyond	1,722
Total minimum obligations	$4,527

Additional commitments for coal and for nuclear fuel will be required in the future to supply the Company's fuel needs.

Purchase Power Commitments

In connection with the joint ownership arrangement for Plant Vogtle, discussed in Note 6, the Company has made commitments to purchase declining fractions of OPC's and MEAG's capacity and energy from this plant. The declining commitments were in effect during periods of up to seven years following commercial operation and ended in 1996. The commitments regarding a portion of a 5 percent interest in Plant Vogtle owned by MEAG are in effect until the latter of the retirement of the plant or the latest stated maturity date of MEAG's bonds issued to finance such ownership interest. The payments for capacity are required whether or not any capacity is available. The energy cost is a function of each unit's variable operating costs. Except as noted below, the cost of such capacity and energy is included in purchased power from non-affiliates in the Company's Statements of Income. Capacity payments totaled $68 million, $76 million, and $129 million in 1996, 1995, and 1994, respectively. The current projected Plant Vogtle capacity payments are:

Year	Amounts
	(in millions)
1997	$ 58
1998	60
1999	62
2000	63
2001	62
2002 and beyond	858
Total	$1,163

Portions of the payments noted above relate to costs in excess of Plant Vogtle's allowed investment for ratemaking purposes. The present value of these portions was written off in 1987 and 1990.

As discussed in Note 1, the Plant Vogtle declining capacity buyback expense is being levelized over a six-year period which began in October 1991.

The Company and an affiliate, Alabama Power Company, own equally all of the outstanding capital stock of Southern Electric Generating Company (SEGCO), which owns electric generating units with a total rated capacity of 1,020 megawatts, as well as associated transmission facilities. The capacity of the units has been sold equally to the Company and Alabama Power under a contract which, in substance, requires payments sufficient to provide for the operating expenses, taxes, debt service and return on investment, whether or not SEGCO has any capacity and energy available. The term of the contract extends automatically for two-year periods, subject to either party's right to cancel upon two year's notice. The Company's share of expenses included in purchased power from affiliates in the Statements of Income, is as follows:

	1996	1995	1994
	(in millions)		
Energy	$47	$44	$43
Capacity	30	29	33
Total	$77	$73	$76
Kilowatt-hours	2,780	2,391	2,429

At December 31, 1996, the capitalization of SEGCO consisted of $52 million of equity and $76 million of long-term debt on which the annual interest requirement is $5 million.

The Company has entered into a 30-year purchase power agreement, scheduled to begin in June 1998, for electricity during peaking periods from a planned 300 megawatt cogeneration facility. Capacity and fixed operation and maintenance (O&M) payments are subject to reductions for failure to meet minimum capacity output. Estimated capacity and fixed O&M payments are as follows:

Year	Amounts
	(in millions)
1998	$ 13
1999	15
2000	15
2001	15
2002 and beyond	320
Total	$378

Operating Leases

The Company has entered into coal rail car rental agreements with various terms and expiration dates. These expenses totaled $11 million, $12 million, and $13 million for 1996, 1995, and 1994, respectively. At December 31, 1996, estimated minimum rental commitments for these noncancelable operating leases were as follows:

Year	Amounts
	(in millions)
1997	$ 11
1998	10
1999	10
2000	10
2001	10
2002 and beyond	121
Total	$172

5. NUCLEAR INSURANCE

Under the Price-Anderson Amendments Act of 1988, the Company maintains agreements of indemnity with the NRC that, together with private insurance, cover third-party liability arising from any nuclear incident occurring at the Company's nuclear power plants. The act provides funds up to $8.9 billion for public liability claims that could arise from a single nuclear incident. Each nuclear plant is insured against this liability to a maximum of $200 million by private insurance, with the remaining coverage provided by a mandatory program of deferred premiums that could be assessed, after a nuclear incident, against all owners of nuclear reactors. The Company could be assessed up to $79 million per incident for each licensed reactor it operates but not more than an aggregate of $10 million per incident to be paid in a calendar year for each reactor. Such maximum assessment for the Company, excluding any applicable state premium taxes, -- based on its ownership and buyback interests -- is $162 million per incident but not more than an aggregate of $20 million to be paid for each incident in any one year.

The Company is a member of Nuclear Mutual Limited (NML), a mutual insurer established to provide property damage insurance in an amount up to $500 million for members' nuclear generating facilities. The members are subject to a retrospective premium assessment in the event that losses exceed accumulated reserve funds. The Company's maximum annual assessment is limited to $11 million under current policies.

Additionally, the Company has policies that currently provide decontamination, excess property insurance, and premature decommissioning coverage up to $2.25 billion for losses in excess of the $500 million NML coverage. This excess insurance is provided by Nuclear Electric Insurance Limited (NEIL), a mutual insurance company.

NEIL also covers the additional costs that would be incurred in obtaining replacement power during a prolonged accidental outage at a member's nuclear plant. Members can be insured against increased costs of replacement power in an amount up to $3.5 million per week -- starting 21 weeks after the outage -- for one year and up to $2.8 million per week for the second and third years.

Under each of the NEIL policies, members are subject to assessments if losses each year exceed the accumulated funds available to the insurer under that policy. The maximum annual assessments under the current policies for the Company would be $16 million for excess property damage and $12 million for replacement power.

For all on-site property damage insurance policies for commercial nuclear power plants, the NRC requires that the proceeds of such policies issued or renewed on or after April 2, 1991, shall be dedicated first for the sole purpose of placing the reactor in a safe and stable condition after an accident. Any remaining proceeds are to be applied next toward the costs of decontamination and debris removal operations ordered by the NRC, and any further remaining proceeds are to be paid either to the Company or to its bond trustees as may be appropriate under the policies and applicable trust indentures.

The Company participates in an insurance program for nuclear workers that provides coverage for worker tort claims filed for bodily injury caused at commercial nuclear power plants. In the event that claims for this insurance exceed the accumulated reserve funds, the Company could be subject to a maximum total assessment of $6 million.

All retrospective assessments, whether generated for liability, property or replacement power, may be subject to applicable state premium taxes.

6. FACILITY SALES AND JOINT OWNERSHIP AGREEMENTS

The Company has sold undivided interests in plants Hatch, Wansley, Vogtle, and Scherer Units 1 and 2, together with transmission facilities, to OPC, an electric membership generation and transmission corporation; MEAG, a public corporation and an instrumentality of the state of Georgia, and the City of Dalton, Georgia. The Company has sold an interest in Plant Scherer Unit 3 to Gulf Power Company, an affiliate. Additionally, in 1995 the Company completed the last of four separate transactions to sell Unit 4 of Plant Scherer to Florida Power & Light Company (FP&L) and Jacksonville Electric Authority (JEA) for a total price of approximately $808 million. FP&L now owns approximately 76.4 percent of the unit, with JEA owning the remainder.

The Scherer Unit 4 transactions were as follows:

Closing Date	Capacity	Percent Ownership	Amount	After-Tax Gain
	(in megawatts)		(in millions)	
July 1991	290	35.46%	$291	$14
June 1993	258	31.44	253	18
June 1994	135	16.55	133	11
June 1995	135	16.55	131	12
Total	818	100.00%	$808	$55

Except as otherwise noted, the Company has contracted to operate and maintain all jointly owned facilities. The Company includes its proportionate share of plant operating expenses in the corresponding operating expenses in the Statements of Income.

As discussed in Note 3, the Company owns 25.4 percent of the Rocky Mountain pumped storage hydroelectric plant, which began commercial operation in 1995. OPC owns the remainder, and is the operator of the plant.

The Company owns six of eight 80 megawatt combustion turbine generating units and 75 percent of the related common facilities at Plant McIntosh. Savannah Electric and Power Company, an affiliate, owns the remainder and operates the plant. Four of the Company's six units began commercial operation during 1994, and the remaining two units began commercial operation in 1995.

The Company and Florida Power Corporation (FPC) jointly own a 150 megawatt combustion turbine unit at Intercession City, Florida, near Orlando. The unit began commercial operation in January 1997, and is operated by FPC. The Company owns a one-third interest in the unit, with use of 100 percent of the unit's capacity from June through September. FPC has the capacity the remainder of the year. The Company's investment in the unit is approximately $13 million.

At December 31, 1996, the Company's percentage ownership and investment (exclusive of nuclear fuel) in

jointly owned facilities in commercial operation, were as follows

Facility (Type)	Total Nameplate Capacity	Company Ownership
	(megawatts)	
Plant Vogtle (nuclear)	2,320	45 7%
Plant Hatch (nuclear)	1,630	50 1
Plant Wansley (coal)	1,779	53 5
Plant Scherer (coal)		
Units 1 and 2	1,636	8 4
Unit 3	818	75 0
Plant McIntosh		
Common Facilities (combustion-turbine)	N/A	75 0
Rocky Mountain (pumped storage)	848	25 4

Facility (Type)	Investment	Accumulated Depreciation
	(in millions)	
Plant Vogtle (nuclear)	$3,299*	$843
Plant Hatch (nuclear)	854	436
Plant Wansley (coal)	301	134
Plant Scherer (coal)		
Units 1 and 2	112	42
Unit 3	542	150
Plant McIntosh		
Common Facilities (combustion-turbine)	19	1
Rocky Mountain (pumped storage)	202	27

* Investment net of write-offs.

7. LONG-TERM POWER SALES AGREEMENTS

The Company and the operating subsidiaries of Southern Company have long-term contractual agreements for the sale of capacity and energy to non-affiliated utilities located outside the system's service area. These agreements consist of firm unit power sales pertaining to capacity from specific generating units. The Company also had agreements for non-firm sales, which expired in 1994, based on the capacity of the Southern system. Because energy is generally sold at cost under these agreements, it is primarily the capacity revenues that affect the Company's profitability.

The Company's capacity revenues were as follows:

Year	Unit Power Sales		Non-firm Sales	
	(in millions)	(megawatts)	(in millions)	(megawatts)
1996	$ 41	173	$ -	-
1995	53	248	-	-
1994	75	403	9	101

Unit power from specific generating plants is being sold to FP&L, FPC, JEA, and the City of Tallahassee, Florida. Under these agreements, the Company sold approximately 173 megawatts of capacity in 1996 and is scheduled to sell approximately 159 megawatts of capacity in 1997 through 1999, and in 2000, 126 megawatts will be sold. After 2000, capacity sales will decline to approximately 103 megawatts -- unless reduced by FP&L, FPC, and JEA -- until the expiration of the contracts in 2010.

Long-term non-firm power of 200 megawatts was sold by the Southern system in 1994 to FPC, of which the Company's share was 101 megawatts, under a contract that expired at the end of 1994. Sales under these long-term non-firm power sales agreements were made from available power pool energy, and the revenues from the sales were shared by the operating affiliates.

8. INCOME TAXES

At December 31, 1996, tax-related regulatory assets were $818 million and tax-related regulatory liabilities were $382 million. The assets are attributable to tax benefits flowed through to customers in prior years and to taxes applicable to capitalized AFUDC. The liabilities are attributable to deferred taxes previously recognized at rates higher than current enacted tax law and to unamortized investment tax credits.

Details of the federal and state income tax provisions are as follows

	1996	1995	1994
Total provision for income taxes:		(in millions)	
Federal:			
Currently payable	$325	$349	$306
Deferred -			
Current year	70	84	86
Reversal of prior years	(41)	(55)	(57)
Deferred investment tax credits	-	1	(1)
	354	379	334
State:			
Currently payable	56	60	52
Deferred -			
Current year	12	15	15
Reversal of prior years	(5)	(8)	(10)
	63	67	57
Total	417	446	391
Less:			
Income taxes credited to other income	(19)	(3)	(8)
Total income taxes charged to operations	$436	$449	$399

The tax effects of temporary differences between the carrying amounts of assets and liabilities in the financial statements and their respective tax bases, which give rise to deferred tax assets and liabilities, are as follows:

	1996	1995
	(in millions)	
Deferred tax liabilities		
Accelerated depreciation	$1,736	$1,630
Property basis differences	1,038	1,074
Deferred Plant Vogtle costs	54	100
Premium on reacquired debt	67	70
Deferred regulatory costs	21	38
Other	32	29
Total	2,948	2,941
Deferred tax assets		
Other property basis differences	225	239
Federal effect of state deferred taxes	100	97
Other deferred costs	93	83
Disallowed Plant Vogtle buybacks	21	25
Accrued interest	10	13
Fuel clause overrecovered	8	6
Other	18	18
Total	478	481
Net deferred tax liabilities	2,470	2,460
Portion included in current assets	53	51
Accumulated deferred income taxes in the Balance Sheets	$2,523	$2,511

Deferred investment tax credits are amortized over the life of the related property with such amortization normally applied as a credit to reduce depreciation in the Statements of Income. Credits amortized in this manner amounted to $17 million in 1996, $22 million in 1995, and $25 million in 1994. At December 31, 1996, all investment tax credits available to reduce federal income taxes payable had been utilized.

A reconciliation of the federal statutory tax rate to the effective income tax rate is as follows:

	1996	1995	1994
Federal statutory rate	35%	35%	35%
State income tax, net of federal deduction	4	4	4
Non-deductible book depreciation	3	2	3
Difference in prior years' deferred and current tax rate	(1)	(1)	(1)
Other	(1)	-	-
Effective income tax rate	40%	40%	41%

Southern Company and its subsidiaries file a consolidated federal income tax return. Under a joint consolidated income tax agreement, each subsidiary's current and deferred tax expense is computed on a stand-alone basis. Tax benefits from losses of the parent company are allocated to each subsidiary based on the ratio of taxable income to total consolidated taxable income.

9. CAPITALIZATION

First Mortgage Bond Indenture & Charter Restrictions

The Company's first mortgage bond indenture contains various restrictions that remain in effect as long as the bonds are outstanding. At December 31, 1996, $778 million of retained earnings and paid-in capital was unrestricted for the payment of cash dividends or any other distributions under terms of the mortgage indenture. Supplemental indentures in connection with future first mortgage bond issues may contain more stringent restrictions than those currently in effect.

The Company's charter limits cash dividends on common stock to the lesser of the retained earnings balance or 75 percent of net income available for such stock during a prior period of 12 months if the ratio of common stock equity to total capitalization, including retained earnings, adjusted to reflect the payment of the proposed dividend, is below 25 percent, and to 50 percent of such net income if such ratio is less than 20 percent. At December 31, 1996, the ratio as defined was 50.3 percent.

Preferred Securities

In December 1994, Georgia Power Capital, L.P., of which the Company is the sole general partner, issued $100 million of 9 percent mandatorily redeemable preferred securities. Substantially all of the assets of Georgia Power Capital are $103 million aggregate principal amount of Georgia Power's 9 percent Junior Subordinated Deferrable Interest Debentures due December 19, 2024. In August 1996, Georgia Power Capital Trust I (Trust I), of which the Company owns all the common securities, issued $225 million of 7.75 percent mandatorily redeemable preferred securities. Substantially all of the assets of Trust I are $232 million aggregate principal amount of the Company's 7.75 percent Junior Subordinated Notes due June 30, 2036. In January 1997, Georgia Power Capital Trust II (Trust II), of which the Company owns all the common securities, issued $175 million of 7.60 percent mandatorily redeemable preferred securities. Substantially all of the assets of Trust II are $180 million aggregate principal amount of the Company's 7.60 percent Junior Subordinated Notes due December 31, 2036.

The Company considers that the mechanisms and obligations relating to the preferred securities, taken together, constitute a full and unconditional guarantee by the Company of Georgia Power Capital's and Georgia Power Capital Trusts' payment obligations with respect to the preferred securities.

Georgia Power Capital, L.P., Georgia Power Capital Trust I, and Georgia Power Capital Trust II are subsidiaries of the Company, and accordingly are consolidated in the Company's financial statements.

Pollution Control Bonds

The Company has incurred obligations in connection with the sale by public authorities of tax-exempt pollution control revenue bonds. The Company has authenticated and delivered to trustees an aggregate of $1.5 billion of its first mortgage bonds, which are pledged as security for its obligations under pollution control revenue contracts. No interest on these first mortgage bonds is payable unless and until a default occurs on the installment purchase or loan agreements. An aggregate of approximately $90 million of the pollution control revenue bonds is secured by a subordinated interest in specific property of the Company.

Details of pollution control bonds are as follows:

Maturity	Interest Rates	1996	1995
		(in millions)	
2000	4.375%	$ 50	$ 50
2004-2006	5% to 6.75%	143	115
2007-2011	6.375% to 6.40% & Variable	10	20
2016	8%	-	56
2017-2021	6% to 9.375%	235	287
2022-2026	5.40% to 6.75% & Variable	1,233	1,120
Total pollution control bonds		$1,671	$1,678

Bank Credit Arrangements

At the beginning of 1997, the Company had unused credit arrangements with banks totaling $1.1 billion, of which $629.4 million expires at various times during 1997, $48 7 million expires at May 1, 1999, and $400 million expires at June 30, 1999.

The $400 million expiring June 30, 1999, is under revolving credit arrangements with several banks providing the Company, Alabama Power Company, and Southern Company up to a total credit amount of $400 million. To provide liquidity support for commercial paper programs, $165 million, $135 million, and $100 million are currently dedicated to the Company, Alabama Power Company, and Southern Company, respectively. However, the allocations can be changed among the borrowers by notifying the respective banks

During the term of the agreements expiring in 1999, short-term borrowings may be converted into term loans, payable in 12 equal quarterly installments, with the first installment due at the end of the first calendar quarter after the applicable termination date or at an earlier date at the companies' option In addition, these agreements require payment of commitment fees based on the unused portions of the commitments or the maintenance of compensating balances with the banks.

Of the Company's total $1 1 billion in unused credit arrangements, a portion of the lines is dedicated to provide liquidity support to variable rate pollution control bonds The credit lines dedicated as of December 31, 1996, were $539 7 million In connection with all other lines of credit, the Company has the option of paying fees or maintaining compensating balances. These balances are not legally restricted from withdrawal.

In addition, the Company borrows under uncommitted lines of credit with banks and through a $225 million commercial paper program that has the liquidity support of committed bank credit arrangements. Average compensating balances held under these committed facilities were not material in 1996.

Other Long-Term Debt

Assets acquired under capital leases are recorded in the Balance Sheets as utility plant in service, and the related obligations are classified as long-term debt At December 31, 1996 and 1995, the Company had a capitalized lease obligation for its corporate headquarters building of $87 million with an interest rate of 8 1 percent The lease agreement provides for payments that are minimal in early years and escalate through the first 21 years of the lease For ratemaking purposes, the GPSC has treated the lease as an operating lease and has allowed only the lease payments in cost of service The difference between the accrued expense and the lease payments allowed for ratemaking purposes is being deferred as a cost to be recovered in the future as ordered by the GPSC At December 31, 1996, and 1995, the interest and lease amortization deferred on the Balance Sheets are $51 million and $49 million, respectively

Assets Subject to Lien

The Company's mortgage dated as of March 1, 1941, as amended and supplemented, securing the first mortgage bonds issued by the Company, constitutes a direct lien on substantially all of the Company's fixed property and franchises

Securities Due Within One Year

The current portion of the Company's long-term debt and preferred stock is as follows

	1996	1995
	(in millions)	
First mortgage bonds	$ 61	$150
Preferred stock	49	-
Total	$110	$150

The Company's first mortgage bond indenture includes an improvement fund requirement that amounts to 1 percent of each outstanding series of bonds authenticated under the indenture prior to January 1 of each year, other than those issued to collateralize pollution control obligations. The requirement may be satisfied by June 1 of each year by depositing cash, reacquiring bonds, or by pledging additional property equal to 1 2/3 times the requirement. The 1997 requirement was met in the first quarter of the year by depositing cash with the trustee These funds, along with cash deposited previously with the trustee to satisfy the 1995 and 1996 improvement fund requirements, were used to redeem bonds

Redemption of Securities

The Company plans to continue a program of redeeming or replacing debt and preferred stock in cases where opportunities exist to reduce financing costs. Issues may be repurchased in the open market or called at premiums as specified under terms of the issue. They may also be redeemed at face value to meet improvement fund and sinking fund requirements, to meet replacement provisions of the mortgage, or through use of proceeds from the sale of property pledged under the mortgage. In general, for the first five years a series is outstanding, the Company is prohibited from redeeming for improvement fund purposes more than 1 percent annually of the original issue amount.

10. QUARTERLY FINANCIAL DATA (UNAUDITED)

Summarized quarterly financial information for 1996 and 1995 is as follows:

Quarter Ended	Operating Revenues	Operating Income	Net Income After Dividends on Preferred Stock
		(in millions)	
March 1996	**$1,029**	**$192**	**$114**
June 1996	**1,134**	**233**	**154**
September 1996	**1,311**	**339**	**256**
December 1996	**943**	**122**	**56**
March 1995	$ 974	$207	$116
June 1995	1,075	230	149
September 1995	1,374	337	245
December 1995	982	177	89

Earnings in the fourth quarter of 1996, compared to the fourth quarter of 1995, declined primarily as a result of lower retail and wholesale revenues and initiatives to reduce fossil generation materials inventory levels.

The Company's business is influenced by seasonal weather conditions.

	1996	1995	1994
Operating Revenues (in thousands)	**$4,416,779**	**$4,405,338**	**$4,162,403**
Net Income after Dividends on Preferred Stock (in thousands)	**$580,327**	**$608,862**	**$525,544**
Cash Dividends on Common Stock (in thousands)	**$475,500**	**$451,500**	**$429,300**
Return on Average Common Equity (percent)	**13.73**	**14.43**	**12.84**
Total Assets (in thousands)	**$13,071,051**	**$13,470,275**	**$13,712,658**
Gross Property Additions (in thousands)	**$428,220**	**$480,449**	**$638,426**
Capitalization (in thousands):			
Common stock equity	**$4,154,281**	**$4,299,012**	**$4,141,554**
Preferred stock	**464,611**	692,787	692,787
Preferred stock subject to mandatory redemption	**-**	-	-
Company obligated mandatorily redeemable preferred securities	**325,000**	100,000	100,000
Long-term debt	**3,200,419**	3,315,460	3,757,823
Total (excluding amounts due within one year)	**$8,144,311**	**$8,407,259**	**$8,692,164**
Capitalization Ratios (percent):			
Common stock equity	**51.0**	51.1	47.6
Preferred stock	**5.7**	8.2	8.0
Company obligated mandatorily redeemable preferred securities	**4.0**	1.2	1.2
Long-term debt	**39.3**	39.5	43.2
Total (excluding amounts due within one year)	**100.0**	100.0	100.0
First Mortgage Bonds (in thousands):			
Issued	**10,000**	75,000	-
Retired	**210,860**	505,789	133,559
Preferred Stock (in thousands):			
Issued	**-**	-	-
Retired	**179,148**	-	-
Company Obligated Mandatorily Redeemable Preferred Securities (in thousands):			
Issued	**225,000**	-	100,000
Security Ratings:			
First Mortgage Bonds -			
Moody's	**A1**	A1	A2
Standard and Poor's	**A+**	A+	A
Duff & Phelps	**AA-**	AA-	A+
Preferred Stock -			
Moody's	**a2**	a2	a3
Standard and Poor's	**A**	A	A-
Duff & Phelps	**A+**	A	A-
Customers (year-end)			
Residential	**1,531,453**	1,500,024	1,466,382
Commercial	**205,087**	198,624	193,648
Industrial	**10,424**	10,796	10,976
Other	**2,645**	2,568	2,426
Total	**1,749,609**	1,712,012	1,673,432
Employees (year-end)	**10,346**	11,061	11,765

SELECTED FINANCIAL AND OPERATING DATA

Georgia Power Company 1994 Annual Report

1993	1992	1991	1990	1989	1988	1987	1986
$4,451,181	$4,297,436	$4,301,428	$4,445,809	$4,145,240	$3,897,479	$3,786,485	$3,561,603
$569,853	$520,538	$474,855	$208,066	$449,099	$479,532	$240,057	$535,003
$402,400	$384,000	$375,200	$389,600	$394,500	$386,600	$377,800	$325,500
14 37	13.60	12.76	5 52	11 72	13 06	6 85	16 51
$13,736,110	$10,964,442	$10,842,538	$11,176,619	$11,372,346	$11,130,539	$11,197,494	$10,465,063
$674,432	$508,444	$548,051	$558,727	$727,631	$929,019	$1,034,059	$1,598,309
$4,045,458	$3,888,237	$3,766,551	$3,673,913	$3,860,657	$3,806,070	$3,538,182	$3,469,201
692,787	692,792	607,796	607,796	607,844	657,844	657,844	732,844
-	6,250	118,7	125,000	155,000	162,500	166,250	112,500
-	-	-	-	-	-	-	-
4,031,387	4,131,016	4,553,189	5,000,225	5,054,001	4,861,378	4,825,760	4,464,857
$8,769,632	$8,718,295	$9,046,286	$9,406,934	$9,677,502	$9,487,792	$9,188,036	$8,779,402
46 1	44.6	41.7	39 1	39 9	40 1	38 5	39 5
7 9	8.0	8.0	7.8	7 9	a 6	9 0	9 6
-	-	-	-	-	-	-	-
46 0	47.4	50.3	53 1	52 2	51 3	52 5	50 9
100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
1,135,000	975,000	-	300,000	250,000	150,000	500,000	500,000
1,337,822	1,381,300	598,384	91,117	91,516	206,677	217,949	377,538
175,000	195,000	100,000	-	-	-	125,000	100,000
245,005	165,004	100,000	83,750	7,500	3,750	150,000	7,500
-	-	-	-	-	-	-	-
A3	A3	Baa1	Baa1	Baa2	Baa2	Baa2	Baa1
A-	A-	BBB+	BBB+	BBB+	BBB	BBB	BBB+
A+	A-	BBB+	BBB	BBB	9	9	9
baa1	baa1	baa1	baa1	baa2	baa2	baa2	baa1
BBB+	BBB+	BBB	BBB	BBB	BBB-	BBB-	BBB
A-	BBB	BBB-	BBB-	BBB-	10	10	10
1,441,972	1,421,175	1,397,682	1,278,888	1,355,211	1,329,173	1,303,721	1,268,983
188,820	183,784	179,933	178,391	177,814	174,147	169,014	162,258
11,217	11,479	11,946	12,115	12,311	12,353	12,307	12,315
2,322	2,269	2,190	2,114	2,050	1,993	1,858	,816
1,644,331	1,618,707	1,591,751	1,571,508	1,547,386	1,517,666	1,486,900	1,445,372
12,528	12,600	13,700	13,746	13,900	15,110	14,924	14,773

SELECTED FINANCIAL AND OPERATING DATA (continued)

	1996	1995	1994
Operating Revenues (in thousands):			
Residential	**$1,371,033**	$1,337,060	$1,180,358
Commercial	**1,486,586**	1,449,108	1,367,315
Industrial	**1,118,633**	1,141,766	1,100,995
Other	**47,060**	44,255	42,983
Total retail	**4,023,312**	3,972,189	3,691,651
Sales for resale - non-affiliates	**281,580**	290,302	351,591
Sales for resale - affiliates	**35,886**	76,906	60,899
Total revenues from sales of electricity	**4,340,778**	4,339,397	4,104,141
Other revenues	**76,001**	65,941	58,262
Total	**$4,416,779**	$4,405,338	$4,162,403
Kilowatt-Hour Sales (in thousands):			
Residential	**17,826,451**	17,307,399	15,680,709
Commercial	**20,823,073**	19,844,999	18,738,461
Industrial	**26,191,831**	25,286,340	24,337,632
Other	**536,057**	493,720	484,009
Total retail	**65,377,412**	62,932,458	59,240,811
Sales for resale - non-affiliates	**7,868,342**	6,591,841	7,968,475
Sales for resale - affiliates	**1,180,207**	2,738,947	3,056,050
Total	**74,425,961**	72,263,246	70,265,336
Average Revenue Per Kilowatt-Hour (cents):			
Residential	**7.69**	7.73	7.53
Commercial	**7.14**	7.30	7.30
Industrial	**4.27**	4.52	4.52
Total retail	**6.15**	6.31	6.23
Sales for resale	**3.51**	3.94	3.74
Total sales	**5.83**	6.00	5.84
Residential Average Annual Kilowatt-Hour Use Per Customer	**11,763**	11,654	10,766
Residential Average Annual Revenue Per Customer	**$904.70**	$900.28	$810.39
Plant Nameplate Capacity Ratings (year-end) (megawatts)	**14,367**	14,344	13,943
Maximum Peak-Hour Demand (megawatts) (Note A):			
Winter	**10,410**	9,819	10,509
Summer	**12,914**	12,828	11,758
Annual Load Factor (percent)	**62.2**	59.6	63.0
Plant Availability (percent):			
Fossil-steam	**85.2**	85.8	83.1
Nuclear	**89.3**	91.8	88.4
Source of Energy Supply (percent):			
Coal	**60.4**	63.0	61.3
Nuclear	**18.2**	19.3	18.0
Hydro	**2.2**	2.5	2.6
Oil and gas	**0.5**	0.6	0.1
Purchased power -			
From non-affiliates	**5.6**	7.7	9.7
From affiliates	**13.1**	6.9	8.3
Total	**100.0**	100.0	100.0
Total Fuel Economy Data:			
BTU per net kilowatt-hour generated	**10,468**	10,039	9,915
Cost of fuel per million BTU (cents)	**128.72**	144.65	145.33
Average cost of fuel per net kilowatt-hour generated (cents)	**1.35**	1.44	1.44

Note A: As of 9/1/91, Georgia Power Company's sales to Oglethorpe Power Company are not included in Peak-Hour Demand.

* Less than one-tenth of one percent

STATEMENTS OF INCOME
Georgia Power Company

For the Years Ended December 31, (Thousands of Dollars)	1996	1995	1994
Operating Revenues:			
Revenues	$ 4,380,893	$ 4,328,432	$ 4,101,504
Revenues from affiliates	35,886	76,906	60,899
Total operating revenues	4,416,779	4,405,338	4,162,403
Operating Expenses:			
Operation --			
Fuel	835,194	900,973	870,653
Purchased power from non-affiliates	157,308	183,009	193,130
Purchased power from affiliates	229,324	131,740	158,063
Provision for separation benefits	39,099	10,607	82,238
Proceeds from settlement of disputed contracts	-	-	-
Other	741,383	735,918	643,375
Maintenance	315,934	292,029	272,818
Depreciation and amortization	432,940	421,850	379,158
Deferred Plant Vogtle expenses, net	136,650	124,454	74,888
Taxes other than income taxes	207,098	204,675	194,566
Federal and state income taxes	435,904	449,204	399,413
Total operating expenses	3,530,834	3,454,459	3,268,302
Operating Income	885,945	950,879	894,101
Other Income (Expense):			
Allowance for equity funds used during construction	3,144	2,744	5,663
Equity in earnings of unconsolidated subsidiary	3,851	4,051	3,588
Deferred return on Plant Vogtle	-	-	-
Write-off of Plant Vogtle costs	-	-	-
Income tax reduction for write-off of Plant Vogtle costs	-	-	-
Interest income	5,333	5,524	3,254
Other, net (See note)	(43,502)	(8,973)	10,626
Income taxes applicable to other income	18,581	3,022	7,975
Income Before Interest Charges	873,352	957,237	925,207
Interest Charges and Other:			
Interest on long-term debt	207,851	254,607	306,473
Allowance for debt funds used during construction	(11,416)	(12,081)	(11,571)
Interest on interim obligations	15,478	21,463	17,529
Amortization of debt discount, premium, and expense, net	14,790	15,835	15,743
Other interest charges	6,338	11,399	23,183
Distributions on preferred securities of subsidiary companies	14,958	9,000	300
Interest charges and other, net	247,999	300,223	351,657
Net Income	625,353	657,014	573,550
Dividends on Preferred Stock	45,026	48,152	48,006
Net Income After Dividends on Preferred Stock	$ 580,327	$ 608,862	$ 525,544

Note: Reflects major sales of facilities to JEA, FP&L, OPC, MEAG, and Dalton. Increases in net income, after total taxes, from these sales were $12,312,000 in 1995, $11,275,000 in 1994, $23,191,000 in 1993, $14,542,000 in 1991, $6,336,000 in 1990, and $3,851,000 in 1987.

SELECTED FINANCIAL AND OPERATING DATA (continued)

1993	1992	1991	1990	1989	1988	1987	1986
$1,291,035	$1,128,396	$1,111,358	$1,109,165	$1,022,781	$979,047	$904,218	$874,231
1,354,130	1,285,681	1,243,067	1,218,441	1,143,727	1,054,995	915,540	854,755
1,113,067	1,083,856	1,057,702	1,061,830	1,006,416	983,822	911,933	897,646
41,399	39,504	37,861	36,773	34,775	31,743	29,350	27,948
3,799,631	3,537,437	3,449,988	3,426,209	3,207,699	3,049,607	2,761,041	2,654,580
534,370	640,308	736,643	784,086	760,809	707,076	822,696	780,049
61,668	67,835	65,586	168,251	150,394	86,751	159,998	91,753
4,395,669	4,245,580	4,252,217	4,378,546	4,118,902	3,843,434	3,743,735	3,526,382
55,512	51,856	49,211	67,263	26,338	54,045	42,750	35,221
$4,451,181	$4,297,436	$4,301,428	$4,445,809	$4,145,240	$3,897,479	$3,786,485	$3,561,603
16,649,859	14,939,172	14,815,089	14,771,648	14,134,195	13,800,038	13,675,730	13,234,248
18,278,508	17,260,614	16,885,833	16,627,128	15,843,181	14,790,561	13,799,379	12,945,926
23,635,363	22,978,312	22,298,062	22,126,604	21,801,404	21,412,845	20,884,454	20,339,235
460,801	436,144	429,016	428,459	414,107	397,669	385,514	381,917
59,024,531	55,614,242	54,428,000	53,953,839	52,192,887	50,401,113	48,745,077	46,901,326
14,307,030	15,870,222	18,719,924	20,158,681	20,479,412	18,544,705	20,910,185	18,198,186
3,027,733	3,320,060	3,885,892	8,272,528	7,489,948	3,327,814	6,032,889	3,160,242
76,359,294	74,804,524	77,033,816	82,385,048	80,162,247	72,273,632	75,688,151	68,259,754
7 75	7.55	7.50	7.51	7 24	7 09	6 61	6.61
7 41	7.45	7.36	7.33	7 22	7 13	6 63	6 60
4 71	4.72	4.74	4.80	4 62	4.59	4 37	4.41
6.44	6.36	6.34	6.35	6 15	6.05	5 66	5 66
3 44	3.69	3.55	3.35	3 26	3.63	3.65	4 08
5 76	5.68	5.52	5.31	5 14	5.32	4 95	5 17
11,630	10,603	10,675	10,795	10,530	10,484	10,623	10,577
$901 79	$800.88	$800 78	$810.56	$761 96	$743 82	$702 36	$698 72
13,759	14,076	14,076	14,366	14,366	13,018	13,018	11,875
9,067	8 938	10,001	8,977	10,101	9,866	9,446	10,551
12,573	11,448	13,090	13,196	12,735	12,295	12,390	11,910
58 5	60.5	55 2	55 5	56 3	59 1	56 1	57 5
85 9	86 6	93.3	92 5	93 0	94 5	92 7	91 2
85.5	87 7	81.6	81 3	89 2	69 4	85 4	64 7
62 1	61.4	63 6	65 1	64 0	72 0	70 9	74 6
16 2	17 0	15 3	13 7	14 1	9.6	9 1	5 0
2.3	2 5	2.3	2 2	2 1	1 2	1 7	1 2
0 2	*	*	0 1	0 1	0.1	0 1	0 6
10 2	12.2	10 3	11 0	10 2	8 2	8 5	8 9
9 0	6.9	8 5	7 9	9 5	8 9	9 7	9 7
100.0	100.0	100.0	100.0	100.0	100.0	100 0	100.0
9,912	9,900	9,960	9,939	10,020	9,969	9,932	10,016
153 62	153 08	157 97	166 22	164 27	166 28	168 81	175 81
1 52	1 52	1 57	1 65	1 65	1 66	1 68	1 76

STATEMENTS OF INCOME
Georgia Power Company

1993	1992	1991	1990	1989	1988	1987	1986
$ 4,389,513	$ 4,229,601	$ 4,235,842	$ 4,277,558	$ 3,994,846	$ 3,810,728	$ 3,626,487	$ 3,469,850
61,668	67,835	65,586	168,251	150,394	86,751	159,998	91,753
4,451,181	4,297,436	4,301,428	4,445,809	4,145,240	3,897,479	3,786,485	3,561,603
951,507	929,780	998,701	1,120,933	1,078,586	1,023,173	1,064,552	1,012,949
313,170	436,761	444,920	626,989	543,448	546,511	530,051	344,708
194,024	158,306	193,114	173,716	195,355	164,873	199,831	192,297
-	9,778	52, 2	-	-	-	-	-
-	(4,982)	(142,183)	-	-	-	-	-
675,284	616,116	596,565	524,665	504,743	541,975	575,182	513,974
284,521	264,757	295,012	280,304	233,680	246,877	274,672	275,533
379,425	375,460	382,549	380,394	346,091	306,492	254,929	215,763
36,284	(30,804)	16,008	31,146	(39,211)	(8,333)	(141,977)	-
192,671	179,460	172,893	151,124	128,518	146,759	143,289	119,768
452,122	377,542	349,284	270,561	273,287	204,222	250,093	319,374
3,479,008	3,312,174	3,359,815	3,559,832	3,264,497	3,172,549	3,150,622	2,994,366
972,173	985,262	941,613	885,977	880,743	724,930	635,863	567,237
3,168	5,855	9,083	6,985	40,525	96,530	159,414	275,183
4,127	4,635	4,576	4,182	3,750	3,302	3,440	2,967
-	-	34,549	82,721	48,096	107,310	115,028	-
-	-	-	(281,254)	-	-	(357,821)	-
-	-	-	63,231	-	-	128,923	-
3,806	12,475	10,563	7,552	10,333	28,445	55,388	44,615
11,902	(30,527)	13,551	(21,199)	(20,603)	(3,746)	(55,081)	(28,464)
37,661	25,163	(7,522)	20,859	15,573	6,583	17,344	5,154
1,032,837	1,002,863	1,006,413	769,054	978,417	963,354	702,498	866,692
343,634	402,541	459,184	480,174	475,991	471,897	480,519	472,744
(8,271)	(8,310)	(10,385)	(9,325)	(34,244)	(95 818)	(130,756)	(225,897)
15,530	9,694	4,906	8,512	1,059	15,084	16,362	1,954
14,024	8,033	6,214	6,100	5,865	5,466	3,573	2,681
47,393	12,425	9,938	9,404	8,868	14,556	12,239	4,610
-	-	-	-	-	-	-	-
412,310	424,383	469,857	494,865	457,539	411,185	381,937	256,092
620,527	578,480	536,556	274,189	520,878	552,169	320,561	610,600
50,674	57,942	61,701	66,123	71,779	72,637	80,504	75,597
$ 569,853	$ 520,538	$ 474,855	$ 208,066	$ 449,099	$ 479,532	$ 240,057	$ 535,003

STATEMENTS OF CASH FLOWS
Georgia Power Company

For the Years Ended December 31, (Thousands of Dollars)	1996	1995	1994
Operating Activities:			
Net income	$ 625,353	$ 657,014	$ 573,550
Adjustments to reconcile net income to net cash provided by operating activities --			
Depreciation and amortization	521,086	27,310	484,032
Deferred income taxes, net	35,700	37,150	33,567
Deferred investment tax credits, net	-	-	-
Allowance for equity funds used during construction	(3,144)	(2,734)	(3,663)
Amortization of deferred Plant Vogtle costs, net	136,650	124,454	74,888
Write-off of Plant Vogtle costs	-	-	-
Non-cash portion of separation benefits	-	-	68,599
Non-cash proceeds from settlement of disputed contracts	-	-	-
Other, net	53,415	134	(95,314)
Changes in certain current assets and liabilities			
Receivables, net	9,421	(59,370)	67,218
Inventories	55,753	30,761	(63,545)
Payables	(35,651)	45,882	5,409
Other	(11,595)	57,422	(5,675)
Net cash provided from operating activities	1,386,988	1,418,023	1,137,066
Investing Activities:			
Gross property additions	(428,220)	(480,449)	(638,426)
Sales of property	3,319	131,099	132,644
Other	(16,468)	(42,579)	(41,273)
Net cash used for investing activities	(441,369)	(391,929)	(547,055)
Financing Activities and Capital Contributions:			
Proceeds			
Preferred securities	225,000	-	100,000
Preferred stock	-	-	-
First mortgage bonds	10,000	75,000	-
Pollution control bonds	112,825	504,700	527,210
Other long-term debt	-	-	-
Capital contributions from parent company	-	-	-
Retirements			
Preferred stock	(179,148)	-	-
First mortgage bonds	(210,860)	(505,789)	(133,559)
Pollution control bonds	(119,665)	(504,810)	(510,320)
Other long-term debt	-	(37,000)	(10,1[illegible])
Interim obligations, net	30,166	(24,472)	(57,425)
Special deposits -- redemption funds	(44,454)	-	-
Capital distribution to parent company	(250,000)	-	-
Payment of preferred stock dividends	(46,911)	(48,419)	(47,147)
Payment of common stock dividends	(475,500)	(451,500)	(429,300)
Miscellaneous	(10,646)	(17,413)	(22,640)
Net cash provided from (used for) financing activities	(959,193)	(1,009,703)	(583,368)
Net Change in Cash and Cash Equivalents	(13,574)	16,391	6,643
Cash and Cash Equivalents at Beginning of Year	28,930	12,539	5,896
Cash and Cash Equivalents at End of Year	$ 15,356	$ 28,930	$ 12,539

( ) Denotes use of cash

STATEMENTS OF CASH FLOWS
Georgia Power Company

1993	1992	1991	1990	1989	1988	1987	1986
$ 620,527	$ 578,480	$ 536,556	$ 274,189	$ 520,878	$ 552,169	$ 320,561	$ 610,600
475,152	471,014	480,318	502,098	484,870	400,665	336,647	260,945
169,009	194,955	53,219	88,667	184,490	160,774	76,445	236,822
(18,274)	(5,704)	(9,524)	(52)	(8,017)	11,605	(5,075)	106,407
(3,168)	(5,855)	(9,0..)	(6,985)	(40,525)	(96,530)	(159,414)	(275,183)
36,284	(30,804)	(18,541)	(51,575)	(87,307)	(115,643)	(257,005)	-
-	-	-	281,254	-	-	357,821	-
-	-	-	-	-	-	-	-
-	(4,982)	(103,846)	-	-	-	-	-
(46,227)	(9,768)	(26,024)	(50,804)	(38,046)	6,983	(759)	5,554
27,088	(31,348)	23,920	1,444	(59,035)	11,225	(6,880)	(7,474)
82,433	(65,621)	24,130	(23,498)	(33,123)	(10,044)	(72,540)	(26,863)
17,364	25,303	(23,075)	(43,470)	(38,976)	(2,065)	74,341	133,044
(94,574)	(85,961)	54,777	(9,991)	36,015	1,161	2,751	19,682
1,265,614	1,029,709	982,827	961,277	921,224	920,300	666,893	1,063,534
(674,432)	(508,444)	(548,051)	(558,727)	(727,631)	(929,019)	(1,034,059)	(1,598,309)
261,687	46	291,075	34,573	-	-	12,276	-
(43,154)	42,892	931	1,937	47,260	35,328	45,801	168,518
(455,899)	(465,506)	(256,045)	(522,217)	(680,371)	(893,691)	(975,982)	(1,429,791)
-	-	-	-	-	-	-	-
175,000	195,000	100,000	-	-	-	125,000	100,000
1,135,000	975,000	-	300,000	250,000	150,000	500,000	500,000
145,425	151,955	80,420	-	50,000	69,526	191,736	350,001
37,000	-	-	-	-	-	-	113,000
-	-	-	-	-	175,000	228,000	250,000
(245,005)	(165,004)	(100,000)	(83,750)	(7,500)	(3,750)	(150,000)	(7,500)
(1,337,822)	(1,381,300)	(598,384)	(91,117)	(91,516)	(206,677)	(217,949)	(377,538)
(145,465)	(160,205)	(83,265)	(535)	(505)	(475)	(90,000)	-
(19,451)	(567)	(1,130)	(114,452)	(3,806)	(2,878)	(2,824)	(10..
(51,444)	334,671	199,000	-	-	(302,261)	302,261	(36,715)
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
(53,123)	(60,475)	(60,766)	(67,757)	(72,259)	(72,931)	(80,420)	(73,665)
(402,400)	(384,000)	(375,200)	(389,600)	(394,500)	(386,600)	(377,800)	(325,500)
(63,648)	(70,986)	(17,613)	(7,663)	(4,742)	(13,440)	(51,745)	(33,773)
(825,933)	(555,911)	(856,938)	(454,874)	(274,828)	(594,486)	376,259	458,202
(16,218)	8,292	(130,156)	(15,814)	(33,975)	(567,877)	67,170	91,945
22,114	13,822	143,978	159,792	193,767	761,644	694,474	602,529
$ 5,896	$ 22,114	$ 13,822	$ 143,978	$ 159,792	$ 193,767	$ 761,644	$ 694,474

BALANCE SHEETS
Georgia Power Company

At December 31, (Thousands of Dollars)	1996	1995	1994
ASSETS			
Electric Plant:			
Production-			
Fossil	$ 3,140,069	$ 3,105,165	$ 3,077,470
Nuclear	4,097,192	4,082,098	4,075,339
Hydro	644,826	642,237	443,466
Total production	7,882,087	7,829,500	7,596,275
Transmission	1,862,384	1,822,778	1,754,945
Distribution	4,090,262	3,949,238	3,777,279
General	934,840	937,079	926,418
Construction work in progress	256,141	236,715	541,889
Nuclear fuel, at amortized cost	121,840	124,849	136,425
Total electric plant	15,147,554	14,900,159	14,733,231
Steam Heat Plant	-	-	-
Total utility plant	15,147,554	14,900,159	14,733,231
Accumulated Provision for Depreciation:			
Electric	4,793,638	4,417,120	4,054,986
Steam heat	-	-	-
Total accumulated provision for depreciation	4,793,638	4,417,120	4,054,986
Total	10,353,916	10,483,039	10,678,245
Less property-related accumulated deferred income taxes	-	-	-
Total	10,353,916	10,483,039	10,678,245
Other Property and Investments:			
Securities received from settlement of disputed contracts	-	-	-
Nuclear decommissioning trusts	130,178	92,273	54,297
Miscellaneous	129,819	147,615	116,527
Total	259,997	239,888	170,824
Current Assets:			
Cash and cash equivalents	15,356	28,930	12,539
Investment securities	-	-	-
Receivables, net	463,502	411,038	389,279
Accrued utility revenues	104,420	121,146	103,223
Fossil fuel stock, at average cost	117,382	145,151	169,252
Materials and supplies, at average cost	258,820	286,804	293,464
Prepayments	109,771	107,764	55,383
Vacation pay deferred	39,965	35,543	40,823
Total	1,109,216	1,136,376	1,063,963
Deferred Charges:			
Deferred charges related to income taxes	818,418	871,783	919,750
Deferred Plant Vogtle costs	170,988	307,638	432,092
Debt expense, being amortized	32,693	27,227	26,223
Premium on reacquired debt, being amortized	166,670	174,018	164,676
Miscellaneous	159,153	230,306	256,885
Total	1,347,922	1,610,972	1,799,626
Total Assets	$ 13,071,051	$ 13,470,275	$ 13,712,658

BALANCE SHEETS
Georgia Power Company

1993	1992	1991	1990	1989	1988	1987	1986
$ 2,976,806	$ 3,144,405	$ 3,128,594	$ 3,350,018	$ 3,319,876	$ 2,638,725	$ 2,616,741	$ 2,138,511
4,069,299	4,051,020	4,051,043	4,025,862	4,189,723	3,225,945	3,220,632	739,835
442,888	434,341	432,674	412,157	411,235	407,771	404,291	399,120
7,488,993	7,629,766	7,612,311	7,788,037	7,920,834	6,272,441	6,241,664	3,277,466
1,713,122	1,646,904	1,566,173	1,522,157	1,431,485	1,322,034	1,248,976	1,176,479
3,600,115	3,413,681	3,252,111	3,056,825	2,863,011	2,598,714	2,318,185	2,096,498
941,291	923,010	896,477	876,989	859,013	737,621	657,258	578,236
584,013	405,606	390,437	370,243	403,365	1,963,283	1,710,769	4,430,152
135,742	155,194	191,726	210,320	254,101	307,109	287,492	314,225
14,463,276	14,174,161	13,909,235	13,824,571	13,731,809	13,201,202	12,464,344	11,873,056
-	-	-	-	-	-	7	15,266
14,463,276	14,174,161	13,909,235	13,824,571	13,731,809	13,201,202	12,464,351	11,888,322
3,822,344	3,569,717	3,315,247	3,040,298	2,762,937	2,445,404	2,193,395	2,001,605
-	-	-	-	-	-	(5)	7,841
3,822,344	3,569,717	3,315,247	3,040,298	2,762,937	2,445,404	2,193,390	2,009,446
10,640,932	10,604,444	10,593,988	10,784,273	10,968,872	10,755,798	10,270,961	9,878,876
-	1,589,743	1,465,408	1,397,647	1,313,626	1,178,291	1,077,747	1,020,271
10,640,932	9,014,701	9,128,580	9,386,626	9,655,246	9,577,507	9,193,214	8,858,605
-	-	107,993	-	-	-	-	-
37,937	20,311	10,007	-	-	-	-	-
61,142	55,463	71,880	78,895	69,839	66,677	54,148	50,749
99,079	75,774	189,880	78,895	69,839	66,677	54,148	50,749
5,896	22,114	13,822	143,978	159,792	193,767	761,644	694,474
-	108,206	-	-	-	-	-	-
515,178	385,227	330,411	356,236	347,899	320,018	342,315	374,590
99,550	89,164	79,099	78,067	93,786	66,265	68,370	55,513
111,620	197,332	200,248	225,966	214,487	225,274	262,752	220,206
287,551	284,272	215,735	220,103	208,084	164,174	116,652	86,658
65,269	91,447	96,750	121,646	116,342	121,840	113,381	44,800
41,575	40,169	39,769	33,677	35,238	34,418	30,100	29,800
1,126,639	1,216,931	975,834	1,179,673	1,175,628	1,125,756	1,695,214	1,506,041
992,510	-	-	-	-	-	-	-
506,980	383,025	375,028	364,446	322,116	269,958	172,990	-
20,730	17,719	12,368	12,708	13,032	12,476	12,985	12,860
153,146	116,940	70,855	60,653	61,889	62,352	51,509	26,914
196,094	139,352	89,993	93,618	74,596	15,813	17,434	9,894
1,869,460	657,036	548,244	531,425	471,633	360,599	254,918	49,668
$ 13,736,110	$ 10,964,442	$ 10,842,538	$ 11,176,619	$ 11,372,346	$ 11,130,539	$ 11,197,494	$ 10,465,063

BALANCE SHEETS
Georgia Power Company

At December 31, (Thousands of Dollars)	1996	1995	1994
CAPITALIZATION AND LIABILITIES			
Capitalization:			
Common stock	$ 344,250	$ 344,250	$ 344,250
Paid-in capital	2,134,886	2,384,444	2,384,348
Premium on preferred stock	371	413	413
Earnings retained in the business	1,674,774	1,569,905	1,412,543
Total common equity	4,154,281	4,299,012	4,141,554
Preferred stock	464,611	692,787	692,787
Preferred stock subject to mandatory redemption	-	-	-
Company obligated mandatorily redeemable preferred securities of subsidiaries substantially all of whose assets are junior subordinated debentures or notes	325,000	100,000	100,000
Long-term debt	3,200,419	3,315,460	3,757,823
Total (excluding amount due within one year)	8,144,311	8,407,259	8,692,164
Current Liabilities:			
Notes payable to banks	207,300	178,000	202,200
Commercial paper	223,196	222,330	222,602
Preferred stock due within one year	49,028	-	-
Long-term debt due within one year	60,622	156,446	167,420
Accounts payable	329,914	389,156	355,067
Customer deposits	64,901	53,145	47,017
Taxes accrued	116,158	104,392	93,019
Interest accrued	79,936	96,162	110,256
Vacation pay accrued	38,597	34,233	39,720
Miscellaneous	114,530	137,184	70,006
Total	1,284,182	1,365,048	1,307,307
Deferred Credits and Other Liabilities:			
Accumulated deferred income taxes	2,522,945	2,510,458	2,477,661
Accumulated deferred investment tax credits	415,477	432,184	453,121
Disallowed Plant Vogtle capacity buyback costs	57,250	58,514	60,490
Deferred credits related to income taxes	382,381	410,016	433,334
Miscellaneous	264,505	286,796	288,581
Total	3,642,558	3,697,968	3,713,187
Total Capitalization and Liabilities	$ 13,071,051	$ 13,470,275	$ 13,712,658

BALANCE SHEETS
Georgia Power Company

1993	1992	1991	1990	1989	1988	1987	1986
$ 344,250	$ 344,250	$ 344,250	$ 344,250	$ 344,250	$ 344,250	$ 344,250	$ 344,250
2,384,348	2,384,140	2,383,800	2,383,800	2,383,800	2,383,800	2,208,800	1,980,800
413	467	489	1,089	1,089	1,089	1,089	3,074
1,316,447	1,159,380	1,038,012	944,774	1,131,518	1,076,931	984,043	1,141,077
4,045,458	3,888,237	3,766,551	3,673,913	3,860,657	3,806,070	3,538,182	3,469,201
692,787	692,792	607,796	607,796	607,844	657,844	657,844	732,844
-	6,250	118,750	125,000	155,000	162,500	166,250	112,500
-	-	-	-	-	-	-	-
4,031,367	4,131,016	4,553,189	5,000,225	5,054,001	4,861,378	4,825,760	4,464,857
8,769,632	8,718,295	9,046,286	9,406,934	9,677,502	9,487,772	9,188,036	8,779,402
406,700	400,200	199,000	-	-	-	302,261	-
75,527	133,471	-	-	-	-	-	-
-	63,750	6,250	-	53,750	3,750	3,750	7,500
10,543	95,823	54,976	204,906	54,712	42,001	65,774	47,683
324,044	317,351	275,932	310,676	372,968	429,807	446,004	488,910
45,922	45,145	41,623	38,144	36,255	34,221	31,106	29,520
153,493	138,289	161,117	84,185	91,424	130,686	114,947	140,968
110,497	132,319	151,171	175,959	162,513	170,090	162,439	150,145
40,060	38,694	38,531	33,677	35,238	34,418	30,100	29,800
64,527	89,355	106,810	135,392	130,546	51,289	62,364	70,595
1,231,313	1,454,397	1,035,410	982,939	937,406	896,262	1,218,745	965,121
2,479,720	-	-	-	-	-	-	-
478,334	515,539	540,134	576,837	601,248	632,111	640,694	665,447
63,067	72,201	109,537	135,926	73,111	80,585	79,376	-
452,819	-	-	-	-	-	-	-
261,225	204,010	111,171	73,983	83,079	33,789	70,643	55,093
3,735,165	791,750	760,842	786,746	757,438	746,485	790,713	720,540
$ 13,736,110	$ 10,964,442	$ 10,842,538	$ 11,176,619	$ 11,372,346	$ 11,130,539	$ 11,197,494	$ 10,465,063

GEORGIA POWER COMPANY

OUTSTANDING SECURITIES AT DECEMBER 31, 1996

First Mortgage Bonds

Series	Amount Issued	Interest Rate	Amount Outstanding	Maturity
	(Thousands)		(Thousands)	
1993	$ 100,000	5-1/2%	$ 100,000	4/1/98
1992	195,000	6-1/8%	195,000	9/1/99
1993	100,000	6%	100,000	3/1/00
1992	100,000	7%	100,000	10/1/00
1992	150,000	6-7/8%	150,000	9/1/02
1993	200,000	6-5/8%	200,000	4/1/03
1993	75,000	6.35%	75,000	8/1/03
1993	50,000	6-7/8%	50,000	4/1/08
1992	100,000	8-5/8%	60,258	6/1/22
1993	160,000	7.95%	138,250	2/1/23
1993	100,000	7-5/8%	84,000	3/1/23
1993	75,000	7-3/4%	70,000	4/1/23
1993	125,000	7.55%	120,000	8/1/23
1995	75,000	7.70%	62,000	5/1/25
1996	10,000	6.07%	10,000	12/1/05
	$ 1,615,000		$ 1,514,508	

Pollution Control Bonds

Series	Amount Issued	Interest Rate	Amount Outstanding	Maturity
	(Thousands)		(Thousands)	
1995	$ 50,000	4-3/8%	$ 50,000	11/1/00
1992	38,800	5.70%	38,800	9/1/04
1993	46,790	5-3/8%	46,790	3/1/05
1995	57,000	5%	57,000	9/1/05
1991	10,450	Variable	10,450	7/1/11
1987	90,000	8-3/8%	90,000	7/1/17
1987	50,000	9-3/8%	50,000	12/1/17
1993	26,700	6%	26,700	3/1/18
1989	50,000	6.35%	50,000	5/1/19
1991	8,500	6.25%	8,500	7/1/19
1991	10,125	6.25%	10,125	7/1/21
1992	13,155	Variable	13,155	5/1/22
1992	75,000	6.20%	75,000	8/1/22
1992	35,000	6.20%	35,000	9/1/22
1993	11,935	5-3/4%	11,935	9/1/23
1993	60,000	5-3/4%	60,000	9/1/23
1994	28,065	5.40%	28,065	1/1/24
1994	175,000	Variable	175,000	7/1/24
1994	125,000	6.60%	125,000	7/1/24
1994	60,000	6-3/8%	60,000	8/1/24
1994	43,420	6-3/4%	43,420	10/1/24
1994	20,000	Variable	20,000	10/1/24
1994	20,000	Variable	20,000	10/1/24
1994	38,725	6-5/8%	38,725	10/1/24
1994	10,000	5.90%	10,000	12/1/24
1994	7,000	5.90%	7,000	12/1/24
1995	73,535	6.10%	73,535	4/1/25
1995	75,000	Variable	75,000	4/1/25
1995	45,000	Variable	45,000	7/1/25
1995	40,000	Variable	40,000	7/1/25
1995	71,580	6%	71,580	7/1/25
1995	35,585	Variable	35,585	9/1/25
1995	30,000	Variable	30,000	9/1/25
1995	27,000	Variable	27,000	9/1/25
1996	51,345	Variable	51,345	6/1/23
1996	15,480	Variable	15,480	9/1/26
1996	46,000	Variable	46,000	9/1/26
	$ 1,671,190		$ 1,671,190	

GEORGIA POWER COMPANY

OUTSTANDING SECURITIES AT DECEMBER 31, 1996 (Continued)

Company Obligated Mandatorily Redeemable Preferred Securities of Subsidiaries Substantially All of Whose Assets Are Junior Subordinated Debentures or Notes

Series	Preferred Securities Outstanding	Interest Rate	Amount Outstanding (Thousands)
1994	4,000,000 [1]	9%	$ 100,000 [1]
1996	9,000,000 [2]	7.75%	225,000 [2]
	13,000,000		$ 325,000

Preferred Stock

Series	Shares Outstanding	Dividend Rate	Amount Outstanding (Thousands)
(3)	14,090	$5.00	$ 1,409
1953	100,000	$4.92	10,000
1954	433,774	$4.60	43,378
1961	70,000	$4.96	7,000
1962	70,000	$4.60	7,000
1963	70,000	$4.60	7,000
1964	50,000	$4.60	5,000
1965	60,000	$4.72	6,000
1966	90,000	$5.64	9,000
1967	120,000	$6.48	12,000
1968	100,000	$6.60	10,000
1971	300,000	$7.72	30,000
1992	1,961,100	$1.90	49,028
1992	2,166,200	$1.9875	54,155
1992	2,350,300	$1.9375	58,757
1992	1,156,500	$1.925	28,912
1993	3,000,000	Adjustable	75,000
1993	4,000,000	Adjustable	100,000
	16,111,964		$ 513,639

(1) Issued by Georgia Power Capital, L.P. and guaranteed to the extent Georgia Power Capital has funds by GEORGIA.

(2) Issued by Georgia Power Capital Trust I and guaranteed to the extent Georgia Power Capital Trust I has funds by GEORGIA.

(3) Issued in exchange for $5.00 preferred outstanding at the time of company formation

GEORGIA POWER COMPANY

SECURITIES RETIRED DURING 1996

First Mortgage Bonds

Series	Principal Amount (Thousands)	Interest Rate
1992	$ 110	8-5/8%
1993	150,000	4-3/4%
1993	21,750	7.95%
1993	16,000	7-5/8%
1993	5,000	7-3/4%
1993	5,000	7.55%
1995	13,000	7.70%
	$ 210,860	

Pollution Control Bonds

Series	Principal Amount (Thousands)	Interest Rate
1976	$ 1,920	6-3/4%
1977	1,940	6.40%
1978	8,060	6-3/8%
1986	56,400	8%
1991	51,345	7.25%
	$ 119,665	

Preferred Stock

Series	Principal Amount (Thousands)	Dividend Rate
1972	$ 75,000	$7.80
1992	977	$1.90
1992	845	$1.9875
1992	1,243	$1.9375
1992	1,088	$1.925
1991	100,000	$2.125
	$ 179,148	

GULF POWER COMPANY

FINANCIAL SECTION

MANAGEMENT'S REPORT

Gulf Power Company 1996 Annual Report

The management of Gulf Power Company has prepared -- and is responsible for -- the financial statements and related information included in this report. These statements were prepared in accordance with generally accepted accounting principles appropriate in the circumstances and necessarily include amounts that are based on the best estimates and judgments of management. Financial information throughout this annual report is consistent with the financial statements.

The Company maintains a system of internal accounting controls to provide reasonable a_ _rance that assets are safeguarded and that books and records reflect only authorized transactions of the Company. Limitations exist in any system of internal controls, however, based on a recognition that the cost of the system should not exceed its benefits. The Company believes its system of internal accounting controls maintains an appropriate cost/benefit relationship.

The Company's system of internal accounting controls is evaluated on an ongoing basis by the Company's internal audit staff. The Company's independent public accountants also consider certain elements of the internal control system in order to determine their auditing procedures for the purpose of expressing an opinion on the financial statements.

The audit committee of the board of directors, composed of directors who are not employees, provides a broad overview of management's financial reporting and control functions. Periodically, this committee meets with management, the internal auditors, and the independent public accountants to ensure that these groups are fulfilling their obligations and to discuss auditing, internal controls, and financial reporting matters. The internal auditors and independent public accountants have access to the members of the audit committee at any time.

Management believes that its policies and procedures provide reasonable assurance that the Company's operations are conducted according to a high standard of business ethics.

In management's opinion, the financial statements present fairly, in all material respects, the financial position, results of operations, and cash flows of Gulf Power Company in conformity with generally accepted accounting principles.



Travis J. Bowden
President
and Chief Executive Officer



Arlan E. Scarbrough
Chief Financial Officer

February 12, 1997

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Board of Directors
of Gulf Power Company:

We have audited the accompanying balance sheets and statements of capitalization of Gulf Power Company (a Maine corporation and a wholly owned subsidiary of Southern Company) as of December 31, 1996 and 1995, and the related statements of income, retained earnings, paid-in capital, and cash flows for each of the three years in the period ended December 31, 1996. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements (pages II-151 through II-167) referred to above present fairly, in all material respects, the financial position of Gulf Power Company as of December 31, 1996 and 1995, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 1996, in conformity with generally accepted accounting principles.

Arthur Andersen LLP

Atlanta, Georgia
February 12, 1997

RESULTS OF OPERATIONS

Earnings

Gulf Power Company's 1996 net income after dividends on preferred stock was $57.8 million, an increase of $0.6 million over the prior year. This improvement is primarily attributable to higher retail revenues and lower costs related to the work force reduction program implemented last year, offset somewhat by an increase in other operating expenses.

In 1995, earnings were $57.2 million, representing an increase of $2 million compared to the prior year. Earnings in 1995 were significantly affected by higher retail revenues due to exceptionally hot summer weather and lower interest charges on long-term debt.

The return on average common equity for 1996 and 1995 was 13.27 percent.

Revenues

Operating revenues increased in 1996 and 1995 as a result of the following factors:

	Increase (Decrease) From Prior Year		
	1996	1995	1994
	(in thousands)		
Retail --			
Sales growth	$ 7,123	$ 3,647	$ 7,126
Weather	(1,057)	9,749	(4,631)
Regulatory cost recovery and other	5,649	22,502	8,938
Total retail	11,715	35,898	11,433
Sales for resale--			
Non-affiliates	2,788	(5,698)	(6,098)
Affiliates	(857)	1,266	(5,813)
Total sales for resale	1,931	(4,432)	(11,911)
Other operating revenues	1,642	8,798	(3,851)
Total operating revenues	$15,288	$40,264	$(4,329)
Percent change	2.5%	7.0%	(0.7)%

Retail revenues of $531 million in 1996 increased $11.7 million or 2.3 percent from last year, compared with an increase of 7.4 percent in 1995 and 2.4 percent in 1994. Residential and commercial revenues increased as a result of customer growth in 1996. This increase was partially offset by milder summer weather in 1996 compared to the hotter-than-normal summer weather of 1995.

The increase in regulatory cost recovery and other retail revenues is primarily attributable to the recovery of increased purchased power capacity costs from affiliated companies. Regulatory cost recovery and other includes recovery provisions for fuel expense and the energy component of purchased power costs; energy conservation costs; purchased power capacity costs; and environmental compliance costs. The recovery provisions equal the related expenses and have no material effect on net income. See Notes 1 and 3 to the financial statements under "Revenues and Regulatory Cost Recovery Clauses" and "Environmental Cost Recovery," respectively, for further information.

Sales for resale were $81 million in 1996, increasing $1.9 million or 2.4 percent from 1995. Revenues from sales to utilities outside the service area under long-term contracts consist of capacity and energy components. Capacity revenues reflect the recovery of fixed costs and a return on investment under the contracts. Energy is generally sold at variable cost. The capacity and energy components under these long-term contracts were as follows:

	1996	1995	1994
	(in thousands)		
Capacity	$25,400	$25,870	$30,926
Energy	19,804	18,598	18,456
Total	$45,204	$44,468	$49,382

Capacity revenues decreased in 1996 and 1995, primarily reflecting the decline in net plant investment.

Sales to affiliated companies vary from year to year depending on demand and the availability and cost of generating resources at each company. These sales have little impact on earnings.

The increase in other operating revenues for 1996 and 1995 is primarily due to increased amounts collected to recover newly-imposed county franchise fees. These fees are included in taxes other than income taxes and thus, there is no impact on earnings. Other changes for 1996 and 1995 are primarily attributable to adjustments in the regulatory cost recovery clauses for differences between recoverable costs and the amounts actually reflected in revenues. See Notes 1 and 3 to the financial statements under "Revenues and Regulatory Cost Recovery Clauses" and "Environmental Cost Recovery," respectively, for further discussion.

Kilowatt-hour sales for 1996 and percent changes in sales since 1994 are reported below.

	KWH	Percent Change		
	1996	1996	1995	1994
	(millions)			
Residential	4,160	3.6%	7.0%	1.1%
Commercial	2,809	3.7	6.3	4.8
Industrial	1,808	0.7	(2.8)	(9.0)
Other	17	2.7	(0.1)	-
Total retail	8,794	3.0	4.5	(0.3)
Sales for resale				
Non-affiliates	1,534	9.9	(1.6)	(2.8)
Affiliates	710	(6.5)	(13.1)	(15.2)
Total	11,038	3.3	2.2	(2.1)

Retail sales increased in 1996 due to customer growth of 2.7 percent in the residential class and 4.6 percent in the commercial class. The increase in energy sales to the industrial class is a result of the Real-Time-Pricing program. The price structure of this program has successfully encouraged participating industrial customers to lower their peak demand requirements and increase their purchases of energy during off-peak periods. See "Future Earnings Potential" for information on the Company's initiatives to remain competitive and to meet conservation goals set by the Florida Public Service Commission (FPSC). In 1995, retail sales increased from the prior year due to hot summer weather and an increase in residential and commercial customers. Industrial sales were lower due to the reclassification of a major customer from the industrial to commercial class and temporary production delays of other industrial customers.

In 1996, energy sales for resale to non-affiliates increased 9.9 percent and are predominantly related to unit power sales under long-term contracts to other Florida utilities and bulk power sales under short-term contracts to other non-affiliated utilities. Energy sales to affiliated companies vary from year to year as mentioned previously.

Expenses

Total operating expenses for 1996 increased $12.7 million or 2.4 percent from 1995. The increase is due to higher purchased power expenses, other operation expenses, depreciation expenses, and taxes. In 1995, total operating expenses increased $41.3 million or 8.5 percent from 1994 primarily due to higher fuel and purchased power expenses, maintenance expenses, and taxes other than income taxes, offset by lower depreciation and amortization expenses.

Fuel and purchased power expenses for 1996 increased $4 million or 1.8 percent from 1995. The change reflects the increase in purchased power from affiliated companies due to scheduled maintenance outages at Plant Crist and Plant Daniel during the first half of 1996. This increase was partially offset by a slight decrease in fuel expense reflecting a lower cost of fuel. In 1995, fuel and purchased power expenses increased $30.1 million or 15.5 percent from 1994 reflecting the increase in generation due to the extreme weather conditions during the summer of 1995 and slightly higher fuel costs.

The amount and sources of generation and the average cost of fuel per net kilowatt-hour generated were as follows:

	1996	1995	1994
Total generation (millions of kilowatt-hours)	10,214	9,828	9,559
Sources of generation (percent)			
Coal	99.4	99.5	99.8
Oil and gas	0.6	0.5	0.2
Average cost of fuel per net kilowatt-hour generated (cents)			
Coal	1.99	2.08	2.00
Oil and gas	6.41	3.56	6.93
Total	2.02	2.09	2.01

In 1996, other operation expenses increased $1.8 million or 1.5 percent from the 1995 level. The increase is primarily attributable to an increase in administrative and general expenses including costs associated with the approved increase of the Company's annual accrual to the accumulated provision for property damage to amortize deferred storm charges and restore the account balance to a reasonable level. Higher costs related to the buyouts and renegotiation of coal supply contracts and costs associated with the Company's pro rata share of affiliated companies' workforce reduction costs were offset by a decrease in costs related to the Company's work force reduction program implemented in the prior year. In 1995, other operation expenses decreased $0.5 million due to a $9.4 million reduction in the amortization costs of coal buyouts and renegotiation of coal supply contracts. This was offset by the $7 million accrual for benefits to be provided by the Company under the work force reduction program implemented during the fourth quarter of 1995. These costs are further discussed in Notes 2 and 5 to the financial statements under "Work Force Reduction Programs" and "Fuel Commitments."

Maintenance expense in 1996 decreased $0.9 million or 1.7 percent from the prior year. This is attributable to a decrease in scheduled maintenance of production facilities. In 1995, maintenance expense increased $5.2 million or 11.2 percent from the prior year due to higher power production maintenance related to non-recurring items and higher distribution maintenance.

Depreciation and amortization expenses increased $1.5 million or 2.8 percent from 1995. This change is primarily due to an increase in depreciation expense reflecting an increase in the average investment in distribution property as a result of favorable growth in the Company's service area. In 1995, the decrease in depreciation and amortization expenses of $1.5 million was attributable to property which was fully amortized by December 1994.

Federal and state income taxes increased $3.8 million or 11 percent in 1996 primarily due to an increase in taxable income. Taxes other than income taxes increased $2.4 million or 4.9 percent primarily due to an increase in county franchise fees as mentioned previously. In 1995, other taxes increased $7.9 million or 18.9 percent primarily due to an increase in county franchise fees. Franchise fees are billed and collected from customers and have no impact on earnings.

In 1996, interest expense increased $0.9 million or 3.2 percent over the prior year. The increase is attributable to the issuance of $30 million of new first mortgage bonds in January 1996. The increase in interest on long-term debt was partially offset by a decrease in interest on notes payable as a result of a lower average amount of short-term notes outstanding. Interest expense in 1995 decreased $2.5 million or 7.8 percent under the prior year. The decrease was attributable to lower interest on long-term debt reflecting a lower average principal balance outstanding and the refinancing of $42 million of pollution control bonds in December 1994.

Effects of Inflation

The Company is subject to rate regulation and income tax laws that are based on the recovery of historical costs. Therefore, inflation creates an economic loss because the Company is recovering its cost of investments in dollars that have less purchasing power. While the inflation rate has been relatively low in recent years, it continues to have an adverse effect on the Company because of the large investment in long-lived utility plant. Conventional accounting for historical cost does not recognize this economic loss nor the partially offsetting gain that arises through financing facilities with fixed-money obligations, such as long-term debt and preferred stock. Any recognition of inflation by regulatory authorities is reflected in the rate of return allowed.

Future Earnings Potential

The results of operations for the past three years are not necessarily indicative of future earnings potential. The level of future earnings depends on numerous factors ranging from energy sales growth to a potentially less regulated more competitive environment.

A work force reduction program was implemented in the fourth quarter of 1995. The cost of the program reduced earnings by $0.7 million in 1996 and $4.3 million in 1995. The estimated savings from this program in 1996 were $2.7 million and will be approximately $3.9 million annually beginning in 1997.

In December 1995, the FPSC approved the Company's request to increase the amount of its annual accrual to the accumulated provision for property damage account from $1.2 million to $3.5 million due to significant hurricane-related charges to the account during 1995. Refer to Note 1 to the financial statements under "Provision for Property Damage" for further discussion.

Future earnings in the near term will depend upon growth in energy sales, which is subject to a number of factors. Traditionally, these factors have included weather, competition, changes in contracts with neighboring utilities, energy conservation practiced by customers, the elasticity of demand, and the rate of economic growth in the Company's service area. However, the Energy Policy Act of 1992 (Energy Act) is having a dramatic effect on the future of the electric utility industry. The Energy Act promotes energy efficiency, alternative fuel use, and increased wholesale competition for electric utilities. The Company is positioning the business to meet the challenge of this major change in the traditional practice of selling electricity. The Energy Act allows independent power producers (IPPs) to access the Company's transmission network in order to sell electricity to other utilities. This enhances the incentive for IPPs to build cogeneration plants for industrial and commercial customers and sell energy generation to utilities. Also, electricity sales for resale rates are being driven down by wholesale transmission access and numerous potential new energy suppliers, including power marketers and brokers. The Company is aggressively working to maintain and expand its share of wholesale sales in the southeastern power markets.

Various federal and state initiatives designed to promote wholesale and retail competition, among other things, include proposals that would allow customers to choose their electricity provider. As the initiatives materialize, the structure of the utility industry could radically change. Certain initiatives could result in a change in the ownership and/or operation of generation and transmission facilities. Numerous issues must be resolved, including significant ones relating to transmission pricing and recovery of stranded investments. Being a low-cost producer could provide significant opportunities to increase market share and profitability in markets that evolve with changing regulation. Unless the Company remains a low-cost producer and provides quality service, the Company's retail energy sales growth could be limited, and this could significantly erode earnings.

The FPSC set conservation goals for the Company, beginning in 1995, which require programs to reduce 154 megawatts of summer peak demand and 65,000 KWH of sales by the year 2004. In 1995, the FPSC approved the Company's programs to accomplish these goals. The Company can experience net growth as long as the filed programs achieve the intended reductions in peak demand and KWH sales. In response to these goals and seeking to remain competitive with other electric utilities, the Company has developed initiatives which emphasize price flexibility and competitive offering of energy efficiency products and services. These initiatives will enable customers to lower or alter their peak energy requirements. Besides promoting energy efficiency, another benefit of these initiatives could be the ability to defer the need to construct additional generating capacity.

On September 3, 1996, the FPSC approved a new optional Commercial/Industrial Service Rider (CISR), which is applicable to the rate schedules for the Company's largest existing and potential customers who are able to show they have viable alternatives to purchasing the Company's energy services. The CISR, approved as a pilot program, provides the flexibility needed to enable the Company to offer its services in a more competitive manner to these customers.

Compliance costs related to the Clean Air Act Amendments of 1990 (Clean Air Act) could affect earnings if such costs are not fully recovered. The Clean Air Act and other important environmental items are discussed later under "Environmental Matters." Also, state of Florida legislation adopted in 1993 that provides for recovery of prudent environmental compliance costs is discussed in Note 3 to the financial statements under "Environmental Cost Recovery."

The Company is subject to the provisions of Financial Accounting Standards Board Statement No. 71, Accounting for the Effects of Certain Types of Regulation. In the event that a portion of the Company's operations is no longer subject to these provisions, the Company would be required to write off related regulatory assets and liabilities and determine if any other assets have been impaired. See Note 1 to the financial

statements under "Regulatory Assets and Liabilities" for additional information.

FINANCIAL CONDITION

Overview

The principal changes in the Company's financial condition during 1996 were gross property additions of $61.4 million and a decrease of $55.5 million in notes payable. Funds for the property additions and the net decrease in short-term notes were provided by internal sources. See the Statements of Cash Flows for further details.

Financing Activities

The Company continued to lower its financing costs by issuing new bonds and other debt and retiring higher-cost issues in 1996. The Company sold $55 million of first mortgage bonds, $33.3 million of pollution control bonds, and obtained $49.1 million of long-term bank notes. Retirements, including maturities during 1996, totaled $50.9 million of first mortgage bonds, $33.3 million of pollution control bonds, and $34.9 million of long-term bank notes. The refinancing of $33.3 million in pollution control bonds and $49.2 million in first mortgage bonds will result in savings of over $1 million annually. See the Statements of Cash Flows for further details.

Composite financing rates for the years 1994 through 1996 as of year end were as follows:

	1996	1995	1994
Composite interest rate on long-term debt	6.1%	6.5%	6.5%
Composite preferred stock dividend rate	6.4%	6.4%	6.6%

The decrease in the composite interest rate on long-term debt from 1995 to 1996 reflects the Company's efforts to refinance higher-cost debt. The decrease in the composite preferred stock dividend rate in 1995 was primarily due to a decrease in dividends on the Company's adjustable rate preferred stock, reflecting lower interest rates.

Capital Requirements for Construction

The Company's gross property additions, including those amounts related to environmental compliance, are budgeted at $142 million for the three years beginning in 1997 ($47 million in 1997, $49 million in 1998, and $46 million in 1999). Actual construction costs may vary from this estimate because of changes in such factors as: business conditions; environmental regulations; load projections; the cost and efficiency of construction labor, equipment, and materials; and the cost of capital. In addition, there can be no assurance that costs related to capital expenditures will be fully recovered. The Company does not have any generating plants under construction, and current energy demand forecasts do not indicate a need for any such facilities until well into the future. However, significant construction related to maintaining and upgrading transmission and distribution facilities and generating plants will continue.

Other Capital Requirements

In addition to the funds needed for the construction program, approximately $121 million will be required by the end of 1999 in connection with maturities of long-term debt. Also, the Company will continue to retire higher-cost debt and preferred stock and replace these securities with lower-cost capital as market conditions and terms of the instruments permit.

Environmental Matters

In November 1990, the Clean Air Act was signed into law. Title IV of the Clean Air Act -- the acid rain compliance provision of the law -- impacts the Company. Specific reductions in sulfur dioxide and nitrogen oxide emissions from fossil-fired generating plants are required in two phases. Phase I compliance began in 1995 and initially affected 28 generating units of Southern Company. As a result of Southern Company's compliance strategy, an additional 22 generating units were brought into compliance with Phase I requirements. Phase II compliance is required in 2000, and all fossil-fired generating plants will be affected.

In 1995, the Environmental Protection Agency (EPA) began issuing annual sulfur dioxide emission allowances through the allowance trading program. An emission allowance is the authority to emit one ton of sulfur dioxide

during a calendar year. The sulfur dioxide emission allowance program is expected to minimize the cost of compliance. Southern Company's sulfur dioxide compliance strategy is designed to use allowances as a compliance option.

Southern Company achieved Phase I sulfur dioxide compliance at the affected plants by switching to low-sulfur coal, which required some equipment upgrades. This compliance strategy resulted in unused emission allowances being banked for later use. Construction expenditures for Phase I compliance totaled approximately $310 million for Southern Company, including approximately $50 million for Gulf Power.

For Phase II sulfur dioxide compliance, Southern Company could use emission allowances, increase fuel switching, and/or install flue gas desulfurization equipment at selected plants. Also, equipment to control nitrogen oxide emissions will be installed on additional system fossil-fired units as required to meet Phase II limits. Therefore, current compliance strategy could require total Phase II estimated construction expenditures for Southern Company of approximately $80 million, of which $60 million remains to be spent. Phase II compliance is not expected to have a material impact on Gulf Power. However, the full impact of Phase II compliance cannot now be determined with certainty, pending the continuing development of a market for emission allowances, the completion of EPA regulations, and the possibility of new emission reduction technologies.

Following adoption of legislation in April of 1992 allowing electric utilities in Florida to seek FPSC approval of their Clean Air Act Compliance Plans, Gulf Power filed its petition for approval. The FPSC approved the Company's plan for Phase I compliance, deferring until a later date approval of its Phase II Plan.

An average increase of up to 2 percent in revenue requirements from the Company's customers could be necessary to fully recover the cost of compliance for both Phase I and Phase II of Title IV of the Clean Air Act. Compliance costs include construction expenditures, increased costs for switching to low-sulfur coal, and costs related to emission allowances.

In 1993, the Florida Legislature adopted legislation that allows a utility to petition the FPSC for recovery of prudent environmental compliance costs that are not being recovered through base rates or any other recovery mechanism. The legislation is discussed in Note 3 to the financial statements under "Environmental Cost Recovery." Substantially all of the costs for the Clean Air Act and other new environmental legislation discussed below are expected to be recovered through the Environmental Cost Recovery Clause.

The EPA and state environmental regulatory agencies are reviewing and evaluating various matters including: revisions to the ambient air quality standards for ozone and particulate matter; emission control strategies for ozone nonattainment areas; additional controls for hazardous air pollutant emissions; and hazardous waste disposal requirements. The impact of new standards will depend on the development and implementation of applicable regulations.

Gulf Power must comply with other environmental laws and regulations, under which the Company could incur costs to clean up contaminated properties currently or previously owned. The Company conducts studies to determine the extent of any required cleanup costs and has recognized in the financial statements costs to clean up known sites. For additional information, see Note 3 to the financial statements under "Environmental Cost Recovery."

Several major pieces of environmental legislation are being considered for reauthorization or amendment by Congress. These include: the Clean Air Act; the Clean Water Act; the Comprehensive Environmental Response, Compensation and Liability Act; the Resource Conservation and Recovery Act; the Toxic Substances Control Act; and the Endangered Species Act. Changes to these laws could affect many areas of the Company's operations. The full impact of any such changes cannot be determined at this time.

Compliance with possible additional legislation related to global climate change, electric and magnetic fields, and other environmental health concerns could significantly affect the Company. The impact of new legislation -- if any -- will depend on the subsequent development and implementation of applicable regulations. In addition, the

potential exists for liability as the result of lawsuits alleging damages caused by electric and magnetic fields.

Sources of Capital

At December 31, 1996, the Company had $0.8 million of cash and cash equivalents and $34.5 million of unused committed lines of credit with banks to meet its short-term cash needs. See Note 5 to the financial statements under "Bank Credit Arrangements" for additional information.

In January 1997, Gulf Power Capital Trust I, of which the Company owns all the common securities, issued $40 million of 7.625 percent mandatorily redeemable preferred securities. Substantially all of the assets of the Trust are $41 million aggregate principal amount of the Company's 7.625 percent Junior Subordinated Notes due December 31, 2036.

It is anticipated that the funds required for construction and other purposes, including compliance with environmental regulations, will be derived from operations; the sale of additional first mortgage bonds, pollution control bonds, and preferred stock; bank notes; and capital contributions from Southern Company. If the attractiveness of current short-term interest rates continues, the Company may maintain a higher level of short-term indebtedness than has historically been true. The Company is required to meet certain coverage requirements specified in its mortgage indenture and corporate charter to issue new first mortgage bonds and preferred stock. The Company's coverage ratios are sufficient to permit, at present interest and preferred dividend levels, any foreseeable security sales. The amount of securities which the Company will be permitted to issue in the future will depend upon market conditions and other factors prevailing at that time.

STATEMENTS OF INCOME

For the Years Ended December 31, 1996, 1995, and 1994
Gulf Power Company 1996 Annual Report

	1996	1995	1994
		(in thousands)	
Operating Revenues:			
Revenues	$ 616,603	$ 600,458	$ 561,460
Revenues from affiliates	17,762	18,619	17,353
Total operating revenues	634,365	619,077	578,813
Operating Expenses:			
Operation-			
Fuel	184,500	185,274	161,168
Purchased power from non-affiliat	8,300	8,594	6,761
Purchased power from affiliates	35,076	29,966	25,819
Other	115,154	113,397	113,879
Maintenance	51,050	51,917	46,700
Depreciation and amortization	56,645	55,104	56,615
Taxes other than income taxes	52,027	49,598	41,701
Federal and state income taxes (Note 8)	37,821	34,065	33,957
Total operating expenses	540,573	527,915	486,600
Operating Income	93,792	91,162	92,213
Other Income (Expense):			
Allowance for equity funds used during construction (Note 1)	17	36	450
Interest income	1,921	2,877	1,429
Other, net	(1,695)	(1,261)	(780)
Income taxes applicable to other income	248	(121)	95
Income Before Interest Charges	94,283	92,693	93,407
Interest Charges:			
Interest on long-term debt	24,691	23,294	27,124
Other interest charges	1,882	1,674	2,442
Interest on notes payable	2,071	2,931	1,509
Amortization of debt discount, premium, and expense, net	2,087	2,014	1,834
Allowance for debt funds used during construction (Note 1)	(58)	(187)	(656)
Net interest charges	30,673	29,726	32,253
Net Income	63,610	62,967	61,154
Dividends on Preferred Stock	5,765	5,813	5,925
Net Income After Dividends on Preferred Stock	$ 57,845	$ 57,154	$ 55,229

The accompanying notes are an integral part of these statements.

STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 1996, 1995, and 1994
Gulf Power Company 1996 Annual Report

	1996	1995	1994
		(in thousands)	
Operating Activities:			
Net income	$ 63,610	$ 62,967	$ 61,154
Adjustments to reconcile net income to net cash provided by operating activities --			
Depreciation and amortization	71,825	75,293	86,098
Deferred income taxes	2,157	390	(6,986)
Allowance for equity funds used during construction	(17)	(36)	(450)
Accumulated provision for property damage	4,227	(19,024)	1,013
Deferred costs of 1995 coal contract renegotiation	10,931	(12,177)	-
Other, net	2,134	4,664	3,885
Changes in certain current assets and liabilities --			
Receivables, net	736	(12,210)	3,540
Inventories	12,957	(618)	(13,901)
Payables	(7,078)	18,258	(10,159)
Taxes accrued	(441)	(2,803)	2,548
Current costs of 1995 coal contract renegotiation	(5,099)	(9,859)	-
Other	4,943	(4,894)	(1,938)
Net cash provided from operating activities	160,885	99,951	124,804
Investing Activities:			
Gross property additions	(61,386)	(63,113)	(78,869)
Other	(2,786)	4,401	(3,493)
Net cash used for investing activities	(64,172)	(58,712)	(82,362)
Financing Activities and Capital Contributions:			
Proceeds:			
First mortgage bonds	55,000	-	-
Pollution control bonds	33,275	-	42,000
Other long-term debt	49,148	-	32,108
Retirements:			
Preferred stock	-	(1,000)	(1,000)
First mortgage bonds	(50,930)	(1,750)	(48,856)
Pollution control bonds	(33,275)	(125)	(42,100)
Other long-term debt	(34,923)	(13,314)	(24,240)
Notes payable, net	(55,500)	27,000	47,447
Payment of preferred stock dividends	(5,749)	(5,813)	(5,925)
Payment of common stock dividends	(48,300)	(46,400)	(44,000)
Miscellaneous	(5,332)	(59)	(2,550)
Net cash used for financing activities	(96,586)	(41,461)	(47,116)
Net Increase (Decrease) in Cash and Cash Equivalents	127	(222)	(4,674)
Cash and Cash Equivalents at Beginning of Year	680	902	5,576
Cash and Cash Equivalents at End of Year	$ 807	$ 680	$ 902
Supplemental Cash Flow Information:			
Cash paid during the year for --			
Interest (net of amount capitalized)	$26,050	$26,161	$30,139
Income taxes	$25,858	$38,537	$43,089

( ) Denotes use of cash

The accompanying notes are an integral part of these statements.

BALANCE SHEETS

At December 31, 1996 and 1995
Gulf Power Company 1996 Annual Report

ASSETS	1996	1995
		(in thousands)
Utility Plant:		
Plant in service (Notes 1 and 6)	$ 1,734,510	$ 1,695,8.4
Less accumulated provision for depreciation	694,245	658,806
	1,040,265	1,037,008
Construction work in progress	23,465	26,301
Total	1,063,730	1,063,309
Other Property and Investments	652	740
Current Assets:		
Cash and cash equivalents	807	680
Receivables-		
Customer accounts receivable	67,727	69,166
Other accounts and notes receivable	3,098	3,393
Affiliated companies	1,821	802
Accumulated provision for uncollectible accounts	(789)	(768)
Fossil fuel stock, at average cost	28,352	37,875
Materials and supplies, at average cost (Note 1)	30,752	33,686
Current portion of deferred coal contract costs (Note 5)	16,389	12,767
Regulatory clauses under recovery (Note 1)	4,144	3,432
Prepaid income taxes	353	4,232
Other prepayments	8,833	8,000
Vacation pay deferred	4,055	4,419
Total	165,042	177,684
Deferred Charges:		
Deferred charges related to income taxes (Note 8)	28,313	29,093
Debt expense and loss, being amortized	23,308	20,459
Deferred coal contract costs (Note 5)	13,126	33,768
Deferred storm charges (Note 1)	3,275	7,502
Miscellaneous	10,920	9,304
Total	78,942	100,126
Total Assets	$ 1,308,366	$ 1,341,859

The accompanying notes are an integral part of these statements.

BALANCE SHEETS (continued)
At December 31, 1996 and 1995
Gulf Power Company 1996 Annual Report

CAPITALIZATION AND LIABILITIES	1996	1995
		(in thousands)
Capitalization (See accompanying statements):		
Common stock equity (Note 11)	$ 435,758	$ 436,242
Preferred stock	65,102	89,602
Long-term debt	331,880	323,376
Total	832,740	849,220
Current Liabilities:		
Preferred stock due within one year (Note 10)	24,500	-
Long-term debt due within one year (Note 10)	40,972	31,548
Notes payable	25,000	80,500
Accounts payable-		
Affiliated companies	10,274	14,447
Other	22,496	27,196
Customer deposits	13,464	13,195
Taxes accrued	8,342	9,547
Interest accrued	7,629	5,719
Regulatory clauses over recovery (Note 1)	5,884	2,800
Vacation pay accrued	4,055	4,419
Dividends declared	11,453	1,437
Miscellaneous	5,668	5,919
Total	179,737	196,727
Deferred Credits and Other Liabilities:		
Accumulated deferred income taxes (Note 8)	163,857	162,345
Deferred credits related to income taxes (Note 8)	64,354	67,481
Accumulated deferred investment tax credits	33,760	36,052
Accumulated provision for postretirement benefits (Note 2)	18,339	16,301
Miscellaneous	15,579	13,733
Total	295,889	295,912
Commitments and Contingent Matters (Notes 1, 2, 3, 4, 5, and 7)		
Total Capitalization and Liabilities	$ 1,308,366	$ 1,341,859

The accompanying notes are an integral part of these statements.

STATEMENTS OF CAPITALIZATION

At December 31, 1996 and 1995
Gulf Power Company 1996 Annual Report

	1996	1995	1996	1995
	(in thousands)		(percent of total)	
Common Stock Equity:				
Common stock, without par value --				
Authorized and outstanding --				
992,717 shares in 1996 and 1995	**$ 38,060**	$ 38,060		
Paid-in capital	**218,438**	218,438		
Premium on preferred stock	**81**	81		
Retained earnings (Note 11)	**179,179**	179,663		
Total common stock equity	**435,758**	436,242	**52.3 %**	51.4 %
Cumulative Preferred Stock:				
$10 par value --				
Authorized -- 10,000,000 shares,				
Outstanding -- 2,580,000 shares at December 31, 1996				
$25 stated capital --				
6.72%	**20,000**	20,000		
7.00%	**14,500**	14,500		
7.30%	**15,000**	15,000		
Adjustable Rate -- at January 1, 1997: 5.01%	**15,000**	15,000		
$100 par value --				
Authorized -- 801,626 shares				
Outstanding -- 251,026 shares at December 31, 1996				
4.64%	**5,102**	5,102		
5.16%	**5,000**	5,000		
5.44%	**5,000**	5,000		
7.52%	**5,000**	5,000		
7.88%	**5,000**	5,000		
Total (annual dividend requirement -- $5,742,000)	**89,602**	89,602		
Less amount due within one year (Note 10)	**24,500**	-		
Total excluding amount due within one year	**65,102**	89,602	**7.8**	10.5

STATEMENTS OF CAPITALIZATION (continued)

At December 31, 1996 and 1995
Gulf Power Company 1996 Annual Report

		1996	1995	1996	1995
		(in thousands)		(percent of total)	
Long-term Debt:					
First mortgage bonds --					
Maturity	Interest Rates				
August 1, 1997	5.875%	**25,000**	25,000		
April 1, 1998	5.55%	**15,000**	15,000		
July 1, 1998	5.00%	**30,000**	30,000		
July 1, 2003	6.125%	**30,000**	30,000		
November 1, 2006	6.50%	**25,000**			
September 1, 2008	9.00%	-	930		
December 1, 2021	8.75%	-	50,000		
January 1, 2026	6.75%	**30,000**	-		
Total first mortgage bonds		**155,000**	150,930		
Pollution control obligations (Note 9)		**169,630**	169,630		
Other long-term debt (Note 9)		**51,299**	37,074		
Unamortized debt premium (discount), net		**(3,077)**	(2,710)		
Total long-term debt (annual interest requirement -- $22,751,000)		**372,852**	354,924		
Less amount due within one year (Note 10)		**40,972**	31,548		
Long-term debt excluding amount due within one year		**331,880**	323,376	**39.9**	38.1
Total Capitalization		**$ 832,740**	$ 849,220	**100.0 %**	100.0 %

The accompanying notes are an integral part of these statements.

STATEMENTS OF RETAINED EARNINGS

For the Years Ended December 31, 1996, 1995, and 1994
Gulf Power Company 1996 Annual Report

	1996	1995	1994
		(in thousands)	
Balance at Beginning of Year	**$ 179,663**	$ 168,951	$ 157,773
Net income after dividends on preferred stock	**57,845**	57,154	55,229
Dividends on common stock	**(58,300)**	(46,400)	(44,000)
Preferred stock transactions, net	**(29)**	(42)	(51)
Balance at End of Year (Note 11)	**$ 179,179**	$ 179,663	$ 168,951

STATEMENTS OF PAID-IN CAPITAL

For the Years Ended December 31, 1996, 1995, and 1994
Gulf Power Company 1996 Annual Report

	1996	1995	1994
		(in thousands)	
Balance at Beginning of Year	**$ 218,438**	$ 218,380	$ 218,282
Contributions to capital by parent company	**-**	58	98
Balance at End of Year	**$ 218,438**	$ 218,438	$ 218,380

The accompanying notes are an integral part of these statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General

Gulf Power Company is a wholly owned subsidiary of Southern Company, which is the parent company of five operating companies, a system service company, Southern Communications Services (Southern Communications), Southern Energy, Inc. (Southern Energy), Southern Nuclear Operating Company (Southern Nuclear), The Southern Development and Investment Group (Southern Development), and other direct and indirec ubsidiaries. The operating companies (Alabama Power, Georgia Power, Gulf Power, Mississippi Power, and Savannah Electric) provide electric service in four southeastern states. Gulf Power Company provides electric service to the northwest panhandle of Florida. Contracts among the operating companies -- dealing with jointly owned generating facilities, interconnecting transmission lines, and the exchange of electric power -- are regulated by the Federal Energy Regulatory Commission (FERC) or the Securities and Exchange Commission. The system service company provides, at cost, specialized services to Southern Company and subsidiary companies. Southern Communications provides digital wireless communications services to the operating companies and also markets these services to the public within the Southeast. Southern Energy designs, builds, owns and operates power production and delivery facilities and provides a broad range of energy related services in the United States and international markets. Southern Nuclear provides services to Southern Company's nuclear power plants. Southern Development develops new business opportunitie elated to energy products and services.

Southern Company is registered as a holding company under the Public Utility Holding Company Act of 1935 (PUHCA). Both Southern Company and its subsidiaries are subject to the regulatory provisions of the PUHCA. The Company is also subject to regulation by the FERC and the Florida Public Service Commission (FPSC). The Company follows generally accepted accounting principles and complies with the accounting policies and practices prescribed by the FPSC. The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates, and the actual results may differ from those estimates.

Certain prior years' data presented in the financial statements have been reclassified to conform with current year presentation.

Regulatory Assets and Liabilities

The Company is subject to the provisions of Financial Accounting Standards Board (FASB) Statement No. 71, Accounting for the Effects of Certain Types of Regulation. Regulatory assets represent probable future revenues to the Company associated with certain costs that are expected to be recovered from customers through the ratemaking process. Regulatory liabilities represent probable future reductions in revenues associated with amounts that are to be credited to customers through the ratemaking process. Regulatory assets and (liabilities) reflected in the Balance Sheets at December 31 relate to the following:

	1996	1995
	(in thousands)	
Current & deferred coal contract costs	$ 29,515	$ 46,535
Deferred income taxes	28,313	29,093
Deferred loss on reacquired debt	20,386	17,015
Environmental remediation	7,577	5,789
Vacation pay	4,055	4,419
Regulatory clauses (over) under recovery, net	(1,740)	632
Deferred income tax credits	(64,354)	(67,481)
Deferred storm charges	3,275	7,502
Other, net	(1,202)	(1,510)
Total	$ 25,825	$ 41,994

In the event that a portion of the Company's operations is no longer subject to the provisions of Statement No. 71, the Company would be required to write off related regulatory assets and liabilities. In addition, the Company would be required to determine any impairment to other assets, including plant, and write down the assets, if impaired, to their fair value.

Revenues and Regulatory Cost Recovery Clauses

The Company accrues revenues for service rendered but unbilled at the end of each fiscal period. The Company has a diversified base of customers and no single customer or industry comprises 10 percent or more of revenues. In 1996, uncollectible accounts continued to average significantly less than 1 percent of revenues.

Fuel costs are expensed as the fuel is used. The Company's electric rates include provisions to periodically adjust billings for fluctuations in fuel and the energy component of purchased power costs. The Company also has similar cost recovery clauses for energy conservation costs, purchased power capacity costs, and environmental compliance costs. Revenues are adjusted monthly for differences between recoverable costs and amounts actually reflected in current rates.

Depreciation and Amortization

Depreciation of the original cost of depreciable utility plant in service is provided primarily by using composite straight-line rates, which approximated 3.6 percent in 1996 and 1995 and 3.8 percent in 1994. When property subject to depreciation is retired or otherwise disposed of in the normal course of business, its cost -- together with the cost of removal, less salvage -- is charged to the accumulated provision for depreciation. Minor items of property included in the original cost of the plant are retired when the related property unit is retired. Also, the provision for depreciation expense includes an amount for the expected cost of removal of facilities.

Income Taxes

The Company uses the liability method of accounting for deferred income taxes and provides deferred income taxes for all significant income tax temporary differences. Investment tax credits utilized are deferred and amortized to income over the average lives of the related property. The Company is included in the consolidated federal income tax return of Southern Company. See Note 8 for further information related to income taxes.

Allowance for Funds Used During Construction (AFUDC)

AFUDC represents the estimated debt and equity costs of capital funds that are necessary to finance the construction of new facilities. While cash is not realized currently from such allowance, it increases the revenue requirement over the service life of the plant through a higher rate base and higher depreciation expense. The FPSC-approved composite rate used to calculate AFUDC was 7.27 percent for 1996, 1995, and 1994. AFUDC amounts for 1996, 1995, and 1994 were $75 thousand, $223 thousand, and $1.1 million, respectively. The decrease in 1996 and 1995 is primarily due to no long-term construction projects being implemented in 1996 and due to the completion of major construction projects at Plant Daniel at the end of 1994, respectively.

Utility Plant

Utility plant is stated at original cost. Original cost includes: materials; labor; minor items of property; appropriate administrative and general costs; payroll-related costs such as taxes, pensions, and other benefits; and the estimated cost of funds used during construction. The cost of maintenance, repairs, and replacement of minor items of property is charged to maintenance expense. The cost of replacements of property (exclusive of minor items of property) is charged to utility plant.

Cash and Cash Equivalents

For purposes of the Statements of Cash Flows, temporary cash investments are considered cash equivalents. Temporary cash investments are securities with original maturities of 90 days or less.

Financial Instruments

The carrying amounts and fair values of the Company's long-term debt are shown in the table below:

	Carrying Amount	Fair Value
	(in thousands)	
Long-term debt		
At December 31, 1996	**$372,852**	**$373,394**
At December 31, 1995	$354,924	$365,305

The fair values for long-term debt were based on either closing market prices or closing prices of comparable instruments.

Materials and Supplies

Generally, materials and supplies include the cost of transmission, distribution, and generating plant materials. Materials are charged to inventory when purchased and then expensed or capitalized to plant, as appropriate, when installed.

Provision for Injuries and Damages

The Company is subject to claims and suits arising in the ordinary course of business. As permitted by regulatory authorities, the Company provides for the uninsured costs of injuries and damages by charges to income amounting to $1.2 million annually. The expense of settling claims is charged to the provision to the extent available. The accumulated provision of $1.8 million and $1.7 million at December 31, 1996 and 1995, respectively, is included in miscellaneous current liabilities in the accompanying Balance Sheets.

Provision for Property Damage

The Company is self-insured for the full cost of storm and other damages to its transmission and distribution property. At December 31, 1996, the accumulated provision for property damage had a negative balance of $3.3 million, reflecting the remaining deferred charges for expenses relating to Hurricanes Erin and Opal during 1995. The negative balance was reclassified to deferred storm charges in the accompanying Balance Sheets. In December 1995, the FPSC approved the Company's request to increase the amount of its annual accrual to the accumulated provision for property damage account from $1.2 million to $3.5 million. The FPSC approved this amount pending the results of a study it ordered the Company to file addressing the appropriate reserve level and annual accrual amount. The required study was filed with the FPSC, and in November 1996, the FPSC reaffirmed an annual accrual of $3.5 million and approved a target level for the accumulated provision account between $25.1 and $36 million. The FPSC has also given the Company the flexibility to increase its annual accrual amount above $3.5 million, when the Company believes it is in a position to do so, until the account balance reaches $12 million. Therefore, during 1996, the Company accrued $4.5 million to the accumulated provision for property damage. The expense of repairing damages from major storms and other uninsured property damages is charged to the provision account.

2. RETIREMENT BENEFITS

Pension Plan

The Company has a defined benefit, trusteed, non-contributory pension plan that covers substantially all regular employees. Benefits are based on one of the following formulas: years of service and final average pay or years of service and a flat-dollar benefit. The Company uses the "entry age normal method with a frozen initial liability" actuarial method for funding purposes, subject to limitations under federal income tax regulations. Amounts funded to the pension trust fund are primarily invested in equity and fixed-income securities. FASB Statement No. 87, Employers' Accounting for Pensions, requires use of the "projected unit credit" actuarial method for financial reporting purposes.

Postretirement Benefits

The Company provides certain medical care and life insurance benefits for retired employees. Substantially all employees may become eligible for these benefits when they retire. Trusts are funded to the extent deductible under federal income tax regulations or to the extent required by the Company's regulatory commissions. Amounts funded are primarily invested in equity and fixed-income securities. FASB Statement No. 106, Employers' Accounting for Postretirement Benefits Other Than Pensions, requires that medical care and life insurance benefits for retired employees be accounted for on an accrual basis using a specified actuarial method, "benefit/years-of-service."

Funded Status and Cost of Benefits

The following tables show actuarial results and assumptions for pension and postretirement insurance benefits as computed under the requirements of FASB Statement Nos. 87 and 106, respectively. The funded status of the plans at December 31 was as follows:

	Pension	
	1996	1995
	(in thousands)	
Actuarial present value of benefit obligation:		
Vested benefits	$ 87,245	$ 87,652
Non-vested benefits	5,101	4,284
Accumulated benefit obligation	92,346	91,936
Additional amounts related to projected salary increases	31,121	29,073
Projected benefit obligation	123,467	121,009
Less:		
Fair value of plan assets	191,152	180,980
Unrecognized net gain	(58,900)	(48,438)
Unrecognized prior service cost	5,618	2,578
Unrecognized transition asset	(6,485)	(7,187)
Prepaid asset recognized in the Balance Sheets	$ 7,918	$ 6,924

	Postretirement Benefits	
	1996	1995
	(in thousands)	
Actuarial present value of benefit obligation:		
Retirees and dependents	$ 10,478	$ 9,759
Employees eligible to retire	5,484	4,921
Other employees	17,694	17,646
Accumulated benefit obligation	33,656	32,326
Less:		
Fair value of plan assets	7,996	7,050
Unrecognized net loss	1,531	1,538
Unrecognized transition obligation	5,790	7,437
Accrued liability recognized in the Balance Sheets	$18,339	$16,301

In 1995, the Company announced a cost sharing program for postretirement benefits. The program establishes limits on amounts the Company will pay to provide future retiree postretirement benefits. This change reduced the 1995 accumulated postretirement benefit obligation by approximately $7.1 million.

The weighted average rates assumed in the actuarial calculations were:

	1996	1995	1994
Discount	7.8%	7.3%	8.0%
Annual salary increase	5.3%	4.8%	5.5%
Long-term return on plan assets	8.5%	8.5%	8.5%

An additional assumption used in measuring the accumulated postretirement benefit obligation was a weighted average medical care cost trend rate of 9.3 percent for 1996, decreasing gradually to 5.8 percent through the year 2005 and remaining at that level thereafter. An annual increase in the assumed medical care cost trend rate of 1 percent would increase the accumulated benefit obligation at December 31, 1996, by $2.6 million and the aggregate of the service and interest cost components of the net retiree cost by $254 thousand.

Components of the plans' net costs are shown below:

	Pension		
	1996	1995	1994
	(in thousands)		
Benefits earned during the year	$ 3,880	$ 3,867	$ 3,775
Interest cost on projected benefit obligation	9,129	8,042	7,484
Actual (return) loss on plan assets	(21,021)	(33,853)	3,721
Net amortization and deferral	5,920	19,619	(17,054)
Net pension income	$ (2,092)	$ (2,325)	$ (2,074)

Of the above net pension amounts, pension income of $1.5 million in 1996, $1.8 million in 1995, and $1.5 million in 1994 were recorded in operating expenses, and the remainder was recorded in construction and other accounts.

	Postretirement Benefits		
	1996	1995	1994
	(in thousands)		
Benefits earned during the year	$ 939	$1,259	$1,362
Interest cost on accumulated benefit obligation	2,330	2,520	2,535
Amortization of transition obligation	356	853	854
Actual (return) loss on plan assets	(797)	(1,268)	129
Net amortization and deferral	318	742	(591)
Net postretirement cost	$3,146	$4,106	$4,289

Of the above net postretirement costs recorded, $2.3 million in 1996 and $3.1 million in 1995 and 1994 were charged to operating expenses, and the remainder was recorded in construction and other accounts.

Work Force Reduction Programs

The Company implemented a voluntary work force reduction program in the fourth quarter of 1995 and recorded $1.2 million in 1996 and $7 million in 1995 for the total pre-tax cost related to the program. The Company has also incurred its pro rata share for the costs of affiliated companies' programs. The costs related to these programs were $2.1 million for 1996, $1 million for 1995, and $1.3 million for 1994.

3. LITIGATION AND REGULATORY MATTERS

FERC Reviews Equity Returns

In May 1991, the FERC ordered that hearings be conducted concerning the reasonableness of the operating companies' wholesale rate schedules and contracts that have a return on common equity of 13.75 percent or greater. The contracts that could be affected by the hearings include substantially all of the transmission, unit power, long-term power and other similar contracts.

In August 1992, a FERC administrative law judge issued an opinion that changes in rate schedules and contracts were not necessary and that the FERC staff failed to show how any changes were in the public interest. The FERC staff has filed exceptions to the administrative law judge's opinion, and the matter remains pending before the FERC.

In August 1994, the FERC instituted another proceeding based on substantially the same issues as in the 1991 proceeding. In November 1995, a FERC administrative law judge issued an opinion that the FERC staff failed to meet its burden of proof, and therefore, no change in the equity return was necessary. The FERC staff has filed exceptions to the administrative law judge's opinion, and the matter remains pending before the FERC.

If the rates of return on common equity recommended by the FERC staff were applied to all of the schedules and contracts involved in both proceedings, as well as certain other contracts that reference these proceedings in determining return on common equity, and if refunds were ordered, the amount of refunds could range up to approximately $160 million for Southern Company, including approximately $10 million for the Company at December 31, 1996. However, management believes that rates are not excessive and that refunds are not justified.

Environmental Cost Recovery

In April 1993, the Florida Legislature adopted legislation for an Environmental Cost Recovery Clause (ECRC), which allows a utility to petition the FPSC for recovery of all prudent environmental compliance costs that are not being recovered through base rates or any other recovery mechanism. Such environmental costs include operation and maintenance expense, emission allowance expense, depreciation, and a return on invested capital.

In January 1994, the FPSC approved the Company's initial petition under the ECRC for recovery of environmental costs. Beginning with this initial period through September 1996, recovery under the ECRC was determined semi-annually. In August 1996, the FPSC approved annual recovery periods beginning with the October 1996 through September 1997 period. Recovery includes a true-up of the prior period and a projection of the ensuing period. During 1996 and 1995, the Company recorded ECRC revenues of $11.0 million and $11.8 million, respectively.

At December 31, 1996, the Company's liability for the estimated costs of environmental remediation projects for known sites was $7.6 million. These estimated costs are expected to be expended during the period 1997 to 2001. These projects have been approved by the FPSC for recovery through the ECRC discussed above. Therefore, the Company recorded $1.9 million in current assets and $5.7 million in deferred charges representing the future recoverability of these costs.

4. CONSTRUCTION PROGRAM

The Company is engaged in a continuous construction program, the cost of which is currently estimated to total $47 million in 1997, $49 million in 1998, and $46 million in 1999. The construction program is subject to periodic review and revision, and actual construction costs may vary from the above estimates because of numerous factors. These factors include changes in business conditions; revised load growth estimates; changes in environmental regulations; increasing costs of labor, equipment and materials; and cost of capital. At December 31, 1996, significant purchase commitments were outstanding in connection with the construction program. The Company does not have any generating plants under construction. However, significant construction will continue related to transmission and distribution facilities and the upgrading and extension of the useful lives of generating plants.

See Management's Discussion and Analysis under "Environmental Matters" for information on the impact of the Clean Air Act Amendments of 1990 and other environmental matters.

5. FINANCING AND COMMITMENTS

General

Current projections indicate that funds required for construction and other purposes, including compliance with environmental regulations, will be derived primarily from internal sources. Requirements not met from internal sources will be derived from the sale of additional first mortgage bonds, pollution control bonds, and preferred stock; bank notes; and capital contributions from Southern Company. In addition, the Company may issue additional long-term debt and preferred stock primarily for the purposes of debt maturities and redemptions of higher-cost securities.

Bank Credit Arrangements

At December 31, 1996, the Company had $5 million in revolving credit lines that expire May 31, 1997, and $41.5 million of lines of credit with banks subject to renewal June 1 of each year, of which $34.5 million remained unused. In addition, the Company has a $20.3 million unused committed line of credit established for liquidity support of its variable rate pollution control bonds. In connection with these credit lines, the Company has agreed to pay commitment fees and/or to maintain compensating balances with the banks. The compensating balances, which represent substantially all of the cash of the Company except for daily working funds and like items, are not legally restricted from withdrawal. In addition, the Company has bid-loan facilities with twelve major money center banks that total $230 million, of which $13 million was committed at December 31, 1996.

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Assets Subject to Lien

The Company's mortgage, which secures the first mortgage bonds issued by the Company, constitutes a direct first lien on substantially all of the Company's fixed property and franchises.

Fuel Commitments

To supply a portion of the fuel requirements of its generating plants, the Company has entered into long-term commitments for the procurement of fuel. In most cases, these contracts contain provisions for price escalations, minimum purchase levels, and other financial commitments. Total estimated long-term obligations at December 31, 1996, were as follows:

Year	Fuel (in millions)
1997	$125
1998	98
1999	79
2000	71
2001	73
2002 - 2007	481
Total commitments	$927

In 1988, the Company made an advance payment of $60 million to a coal supplier under an arrangement to lower the cost of future coal purchased under an existing contract. This amount is being amortized to expense on a per ton basis over a ten-year period. The remaining unamortized amount was $13.3 million at December 31, 1996.

In December 1995, the Company made another payment of $22 million to the same coal supplier under an arrangement to lower the cost of future coal and/or to suspend the purchase of coal under an existing contract for 25 months. This amount is being amortized to expense on a per ton basis through the first quarter of 1998. The remaining unamortized amount was $16.2 million at December 31, 1996.

The amortization expense of these contract buyouts and renegotiations is being recovered through the fuel cost recovery clause discussed under "Revenues and Regulatory Cost Recovery Clauses" in Note 1.

Lease Agreements

In 1989, the Company and Mississippi Power jointly entered into a twenty-two year operating lease agreement for the use of 495 aluminum railcars. In 1994, a second lease agreement for the use of 250 additional aluminum railcars was entered into for twenty-two years. Both of these leases are for the transportation of coal to Plant Daniel. The Company, as a joint owner of Plant Daniel, is responsible for one half of the lease costs. The lease costs are charged to fuel inventory and are allocated to fuel expense as the fuel is used. The Company's share of the lease costs charged to fuel inventory was $1.7 million in 1996 and 1995 and $1.2 million in 1994. The Company's annual lease payments for 1997 through 2001 will be approximately $1.7 million and after 2001, lease payments total approximately $20.7 million. The Company has the option after three years from the date of the original contract on the second lease agreement to purchase the railcars at the greater of the termination value or the fair market value. Additionally, at the end of each lease term, the Company has the option to renew the lease.

6. JOINT OWNERSHIP AGREEMENTS

The Company and Mississippi Power jointly own Plant Daniel, a steam-electric generating plant located in Jackson County, Mississippi. In accordance with an operating agreement, Mississippi Power acts as the Company's agent with respect to the construction, operation, and maintenance of the plant.

The Company and Georgia Power jointly own Plant Scherer Unit No. 3. Plant Scherer is a steam-electric generating plant located near Forsyth, Georgia. In accordance with an operating agreement, Georgia Power acts as the Company's agent with respect to the construction, operation, and maintenance of the unit.

The Company's pro rata share of expenses related to both plants is included in the corresponding operating expense accounts in the Statements of Income.

At December 31, 1996, the Company's percentage ownership and its investment in these jointly owned facilities were as follows:

	Plant Scherer Unit No. 3 (coal-fired)	Plant Daniel (coal-fired)
	(in thousands)	
Plant In Service	$185,742(1)	$222,463
Accumulated Depreciation	$54,079	$102,027
Construction Work in Progress	$314	$33
Nameplate Capacity (2) (megawatts)	241	500
Ownership	25%	50%

(1) Includes net plant acquisition adjustment.
(2) Total megawatt nameplate capacity:
Plant Scherer Unit No. 3: 818
Plant Daniel: 1,000

7. LONG-TERM POWER SALES AGREEMENTS

The Company and the other operating affiliates have long-term contractual agreements for the sale of capacity and energy to certain non-affiliated utilities located outside the system's service area. The agreements for non-firm capacity expired in 1994. The unit power sales agreements, expiring at various dates discussed below, are firm and pertain to capacity related to specific generating units. Because the energy is generally sold at cost under these agreements, revenues from capacity sales primarily affect profitability. The Company's capacity revenues have been as follows:

Year	Unit Power	Other Long-Term	Total
	(in thousands)		
1996	$25,400	$ -	$25,400
1995	25,870	-	25,870
1994	29,653	1,273	30,926

Unit power from specific generating plants of Southern Company is currently being sold to Florida Power Corporation (FPC), Florida Power & Light Company (FP&L), Jacksonville Electric Authority (JEA), and the city of Tallahassee, Florida. Under these agreements, 211 megawatts of net dependable capacity were sold by the Company during 1996, and sales will remain at that level until the expiration of the contracts in 2010, unless reduced by FPC, FP&L and JEA after 1999.

Capacity and energy sales to FP&L, the Company's largest single customer, provided revenues of $27.2 million in 1996, $25.4 million in 1995, and $29.3 million in 1994, or 4.3 percent, 4.1 percent, and 5.1 percent of operating revenues, respectively.

8. INCOME TAXES

At December 31, 1996, the tax-related regulatory assets to be recovered from customers were $28.3 million. These assets are attributable to tax benefits flowed through to customers in prior years and to taxes applicable to capitalized AFUDC. At December 31, 1996, the tax-related regulatory liabilities to be credited to customers were $64.4 million. These liabilities are attributable to deferred taxes previously recognized at rates higher than current enacted tax law and to unamortized investment tax credits.

Details of the federal and state income tax provisions are as follows:

	1996	1995	1994
	(in thousands)		
Total provision for income taxes:			
Federal--			
Currently payable	$31,022	$29,018	$34,941
Deferred--current year	26,072	23,172	18,556
--reversal of prior years	(24,780)	(23,116)	(24,787)
	32,314	29,074	28,710
State--			
Currently payable	4,394	4,778	5,907
Deferred--current year	3,904	3,313	2,549
--reversal of prior years	(3,039)	(2,979)	(3,304)
	5,259	5,112	5,152
Total	37,573	34,186	33,862
Less income taxes charged (credited) to other income	(248)	121	(95)
Total income taxes charged to operations	$37,821	$34,065	$33,957

The tax effects of temporary differences between the carrying amounts of assets and liabilities in the financial statements and their respective tax bases, which give rise to deferred tax assets and liabilities, are as follows:

	1996	1995
	(in thousands)	
Deferred tax liabilities:		
Accelerated depreciation	$151,664	$146,926
Property basis differences	21,028	19,976
Coal contract buyouts	3,700	3,838
Property insurance	1,248	3,039
Other	12,674	10,573
Total	190,314	184,352
Deferred tax assets:		
Federal effect of state deferred taxes	9,773	10,212
Postretirement benefits	5,767	5,494
Other	7,814	6,313
Total	23,354	22,019
Net deferred tax liabilities	166,960	162,333
Less current portion, net	3,103	(12)
Accumulated deferred income taxes in the Balance Sheets	$163,857	$162,345

Deferred investment tax credits are amortized over the life of the related property with such amortization normally applied as a credit to reduce depreciation in the Statements of Income. Credits amortized in this manner amounted to $2.3 million in 1996, 1995 and 1994. At December 31, 1996, all investment tax credits available to reduce federal income taxes payable had been utilized.

A reconciliation of the federal statutory income tax rate to the effective income tax rate is as follows:

	1996	1995	1994
Federal statutory rate	35%	35%	35%
State income tax, net of federal deduction	4	4	4
Non-deductible book depreciation	1	1	1
Difference in prior years' deferred and current tax rate	(1)	(3)	(2)
Other	(2)	(2)	(2)
Effective income tax rate	37%	35%	36%

The Company and the other subsidiaries of Southern Company file a consolidated federal tax return. Under a joint consolidated income tax agreement, each subsidiary's current and deferred tax expense is computed on a stand-alone basis. Tax benefits from losses of the parent company are allocated to each subsidiary based on the ratio of taxable income to total consolidated taxable income.

9. POLLUTION CONTROL OBLIGATIONS AND OTHER LONG-TERM DEBT

Details of pollution control obligations and other long-term debt at December 31 are as follows:

	1996	1995
	(in thousands)	
Obligations incurred in connection with the sale by public authorities of tax-exempt pollution control revenue bonds:		
Collateralized		
5.25% due 2006	$12,075	$ -
6% due 2006	-	12,075
8.25% due 2017	32,000	32,000
7.125% due 2021	-	21,200
6.75% due 2022	8,930	8,930
5.70% due 2023	7,875	7,875
5.80% due 2023	32,550	32,550
6.20% due 2023	13,000	13,000
6.30% due 2024	22,000	22,000
Variable Rate due 2024 Remarketable daily	20,000	20,000
5.50% due 2026	21,200	-
	$169,630	$169,630
Other long-term debt:		
4.69% due 1996	-	25,000
5.2125% due 1996-1998	16,823	-
6.44% due 1994-1998	7,476	12,074
Variable Rate due 1999	13,500	-
Variable Rate due 1999	13,500	-
	51,299	37,074
Total	$220,929	$206,704

Pollution control obligations represent installment purchases of pollution control facilities financed by funds derived from sales by public authorities of revenue bonds. With respect to the collateralized pollution control revenue bonds, the Company has authenticated and delivered to trustees a like principal amount of first mortgage bonds as security for obligations under collateralized installment agreements. The principal and interest on the first mortgage bonds will be payable only in the event of default under the agreements.

The estimated annual maturities of other long-term debt are as follows: $16 million in 1997, $8.3 million in 1998, and $27 million in 1999.

10. CAPITALIZATION DUE WITHIN ONE YEAR

A summary of the improvement fund requirement and scheduled maturities and redemptions of long-term debt and preferred stock due within one year at December 31 is as follows:

	1996	1995
	(in thousands)	
Bond improvement fund requirement	$ 1,550	$ 1,750
Less: Portion to be satisfied by certifying property additions	1,550	-
Cash sinking fund requirement	-	1,750
Maturities of first mortgage bonds	25,000	-
Current portion of other long-term debt (Note 9)	15,972	29,598
Pollution control bond maturity	-	200
Redemption of preferred stock	24,500	-
Total	$65,472	$31,548

The first mortgage bond improvement (sinking) fund requirement amounts to 1 percent of each outstanding series of bonds authenticated under the indenture prior to January 1 of each year, other than those issued to collateralize pollution control obligations. The requirement may be satisfied by depositing cash, reacquiring bonds, or by pledging additional property equal to 1 and 2/3 times the requirement.

11. COMMON STOCK DIVIDEND RESTRICTIONS

The Company's first mortgage bond indenture contains various common stock dividend restrictions which remain in effect as long as the bonds are outstanding. At December 31, 1996, retained earnings of $127 million were restricted against the payment of cash dividends on common stock under the terms of the mortgage indenture.

The Company's charter limits cash dividends on common stock to 50 percent of net income available for such stock during a prior period of 12 months if the capitalization ratio is below 20 percent and to 75 percent of such net income if such ratio is 20 percent or more but less than 25 percent. The capitalization ratio is defined as the ratio of common stock equity to total capitalization, including retained earnings, adjusted to reflect the payment of the proposed dividend. At December 31, 1996, the ratio was 47.6 percent.

12. QUARTERLY FINANCIAL DATA (Unaudited)

Summarized quarterly financial data for 1996 and 1995 are as follows:

Quarter Ended	Operating Revenues	Operating Income	Net Income After Dividends on Preferred Stock
		(in thousands)	
March 31, 1996	**$154,921**	**$20,201**	**$11,258**
June 30, 1996	**153,821**	**21,565**	**12,581**
Sept. 30, 1996	**179,619**	**32,568**	**23,721**
Dec. 31, 1996	**146,004**	**19,458**	**10,285**
March 31, 1995	$140,918	$19,503	$10,880
June 30, 1995	153,057	23,390	14,096
Sept. 30, 1995	184,251	35,187	26,588
Dec. 31, 1995	140,851	13,082	5,590

The Company's business is influenced by seasonal weather conditions and the timing of rate changes, among other factors.

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SELECTED FINANCIAL AND OPERATING DATA

Gulf Power Company 1996 Annual Report

	1996	1995	1994
Operating Revenues (in thousands)	**$634,365**	$619,077	$578,813
Net Income after Dividends on Preferred Stock (in thousands)	**$57,845**	$57,154	$55,229
Dividends on Common Stock (in thousands)	**$58,300**	**$46,400**	$44,000
Return on Average Common Equity (percent)	13.27	13.27	13.15
Total Assets (in thousands)	**$1,308,366**	$1,341,859	**$1,315,542**
Gross Property Additions (in thousands)	**$61,386**	$63,113	**$78,869**
Capitalization (in thousands):			
Common stock equity	**$435,758**	$436,242	$425,472
Preferred stock	**65,102**	89,602	89,602
Preferred stock subject to mandatory redemption	-	-	-
Long-term debt	**331,880**	323,376	356,393
Total (excluding amounts due within one year)	**$832,740**	$849,220	$871,467
Capitalization Ratios (percent):			
Common stock equity	**52.3**	51.4	48.8
Preferred stock	**7.8**	10.5	10.3
Long-term debt	**39.9**	38.1	40.9
Total (excluding amounts due within one year)	**100.0**	100.0	100.0
First Mortgage Bonds (in thousands):			
Issued	**55,000**	-	-
Retired	**50,930**	1,750	48,856
Preferred Stock (in thousands):			
Issued	-	-	-
Retired	-	1,000	1,000
Security Ratings:			
First Mortgage Bonds -			
Moody's	A1	A1	A2
Standard and Poor's	A+	A+	A
Duff & Phelps	AA	A+	A+
Preferred Stock -			
Moody's	a2	a2	a2
Standard and Poor's	A	A	A-
Duff & Phelps	A+	A	A
Customers (year-end):			
Residential	**291,196**	283,421	280,859
Commercial	**43,196**	41,281	40,398
Industrial	**278**	278	283
Other	**162**	134	106
Total	**334,832**	325,114	321,646
Employees (year-end)	**1,384**	1,501	1,540

1993	1992	1991	1990	1989	1988	1987	1986
$583,142	$570,902	$565,207	$567,825	$527,821	$550,827	$587,860	$542,919
$54,311	$54,090	$57,796	$38,714	$37,361	$45,698	$42,217	$46,421
$41,800	$39,900	$38,000	$37,000	$37,200	$35,400	$34,200	$33,100
13.29	13.62	15.17	10.51	10.32	13.41	13.23	15.06
$1,307,809	$1,062,699	$1,095,736	$1,084,579	$1,093,430	$1,097,225	$1,051,182	$1,028,864
$78,562	$64,671	$64,323	$62,462	$70,726	$67,042	$97,511	$90,160
$414,196	$403,190	$390,981	$371,185	$365,471	$358,310	$323,012	$314,995
89,602	74,662	55,162	55,162	55,162	55,162	55,162	55,162
1,000	2,000	7,500	9,250	11,000	12,750	14,000	16,500
369,259	382,047	434,648	475,284	484,608	497,069	474,640	482,869
$874,057	$861,899	$888,291	$910,881	$916,241	$923,291	$866,814	$869,526
47.4	46.8	44.0	40.8	39.9	38.8	37.2	36.2
10.4	8.9	7.1	7.1	7.2	7.4	8.0	8.3
42.2	44.3	48.9	52.1	52.9	53.8	54.8	55.5
100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
75,000	25,000	50,000	-	-	35,000	-	50,000
88,809	117,693	32,807	6,455	9,344	9,369	-	46,640
35,000	29,500	-	-	-	-	-	-
21,060	15,500	2,500	1,750	1,250	1,750	2,500	750
A2	A2	A2	A2	A1	A1	A1	A1
A	A	A	A	A	A	A	A+
A+	A	A	A	AA-	4	4	4
a2	a2	a2	a2	a1	a1	a1	a1
A-	A-	A-	A-	A-	A-	A-	A
A	A-	A-	A-	A+	5	5	5
274,194	267,591	261,210	256,111	251,347	246,450	241,138	235,329
39,253	37,105	34,685	34,019	33,678	33,030	32,139	31,142
274	270	264	252	240	206	206	197
86	74	72	67	67	61	61	62
313,807	305,040	296,231	290,449	285,326	279,747	273,544	266,730
1,565	1,613	1,598	1,615	1,614	1,601	1,603	1,544

	1996	1995	1994
Operating Revenues (in thousands):			
Residential	**$285,498**	$276,155	$252,598
Commercial	**164,181**	159,260	146,394
Industrial	**78,994**	81,606	82,169
Other	**2,056**	1,993	1,955
Total retail	**530,729**	519,014	483,116
Sales for resale - non-affiliates	**63,201**	60,413	66,111
Sales for resale - affiliates	**17,762**	18,619	17,353
Total revenues from sales of electricity	**611,692**	598,046	566,580
Other revenues	**22,673**	21,031	12,233
Total	**$634,365**	$619,077	$578,813
Kilowatt-Hour Sales (in thousands):			
Residential	**4,159,924**	4,014,142	3,751,932
Commercial	**2,808,634**	2,708,243	2,548,846
Industrial	**1,808,086**	1,794,754	1,847,114
Other	**17,815**	17,345	17,354
Total retail	**8,794,459**	8,534,484	8,165,246
Sales for resale - non-affiliates	**1,534,097**	1,396,474	1,418,977
Sales for resale - affiliates	**709,647**	759,341	874,050
Total	**11,038,203**	10,690,299	10,458,273
Average Revenue Per Kilowatt-Hour (cents):			
Residential	6.86	6.88	6.73
Commercial	5.85	5.88	5.74
Industrial	4.37	4.55	4.45
Total retail	6.03	6.08	5.92
Sales for resale	3.61	3.67	3.64
Total sales	5.54	5.59	5.42
Average Annual Kilowatt-Hour Use Per Residential Customer	**14,457**	14,148	13,486
Average Annual Revenue Per Residential Customer	**$992.17**	$973.35	$907.92
Plant Nameplate Capacity Ratings (year-end) (megawatts)	**2,174**	2,174	2,174
Maximum Peak-Hour Demand - Net of SEPA (megawatts):			
Winter	**2,136**	1,732	1,801
Summer	**1,961**	2,040	1,795
Annual Load Factor (percent)	**51.4**	53.0	56.7
Plant Availability - Fossil-Steam (percent)	**91.8**	84.0	92.2
Source of Energy Supply (percent):			
Coal	**87.8**	86.8	87.2
Oil and gas	**0.5**	0.4	0.2
Purchased power -			
From non-affiliates	**2.7**	4.0	2.8
From affiliates	**9.0**	8.8	9.8
Total	**100.0**	100.0	100.0
Total Fuel Economy Data:			
BTU per net kilowatt-hour generated	**10,484**	10,609	10,614
Cost of fuel per million BTU (cents)	**192.22**	196.62	189.55
Average cost of fuel per net kilowatt-hour generated (cents)	**2.02**	2.09	2.01

1993	1992	1991	1990	1989	1988	1987	1986
$244,967	$235,296	$231,220	$217,843	$203,781	$184,036	$199,701	$200,725
137,308	133,071	130,691	124,066	118,897	107,615	116,057	116,253
87,526	91,320	92,300	91,041	84,671	72,634	80,295	79,873
1,882	1,784	1,860	1,805	1,586	1,402	1,357	1,343
471,683	461,471	456,071	434,755	408,935	365,687	397,410	398,194
72,209	70,078	69,636	73,855	67,554	117,466	134,456	106,892
23,166	24,075	29,343	38,563	39,244	48,277	55,955	27,113
567,058	555,624	555,050	547,173	515,733	531,430	587,821	532,199
16,084	15,278	10,157	20,652	12,088	19,397	39	10,720
$583,142	$570,902	$565,207	$567,825	$527,821	$550,827	$587,860	$542,919
3,712,980	3,596,515	3,455,100	3,360,838	3,293,750	3,154,541	3,055,041	2,963,502
2,433,382	2,369,236	2,272,690	2,217,568	2,169,497	2,088,598	1,986,332	1,913,139
2,029,936	2,179,435	2,117,408	2,177,872	2,094,670	1,968,091	1,839,931	1,745,074
16,944	16,649	17,118	18,866	17,209	16,257	15,241	14,903
8,193,242	8,161,835	7,862,316	7,775,144	7,575,126	7,227,487	6,896,545	6,636,618
1,460,105	1,430,908	1,550,018	1,775,703	1,640,355	1,911,759	2,138,390	1,609,146
1,029,787	1,208,771	1,236,223	1,435,558	1,461,036	2,326,238	2,689,487	1,078,500
10,683,134	10,801,514	10,648,557	10,986,405	10,676,517	11,465,484	11,724,422	9,324,264
6.60	6.54	6.69	6.48	6.19	5.83	6.54	6.77
5.64	5.62	5.75	5.59	5.48	5.15	5.84	6.08
4.31	4.19	4.36	4.18	4.04	3.69	4.36	4.58
5.76	5.65	5.80	5.59	5.40	5.06	5.76	6.00
3.83	3.57	3.55	3.50	3.44	3.91	3.94	4.99
5.31	5.14	5.21	4.98	4.83	4.64	5.01	5.71
13,671	13,553	13,320	13,173	13,173	12,883	12,763	12,729
$901.96	$886.66	$891.38	$853.86	$815.00	$751.60	$834.31	$862.16
2,174	2,174	2,174	2,174	2,174	2,174	2,174	1,969
1,571	1,533	1,418	1,310	1,814	1,395	1,354	1,406
1,898	1,828	1,740	1,778	1,691	1,613	1,617	1,678
54.5	55.0	57.0	55.2	52.6	56.5	54.4	50.5
88.9	91.2	92.2	89.2	89.1	88.2	92.8	90.5
84.5	87.7	82.0	69.8	78.3	93.2	93.5	85.8
0.5	0.1	0.1	0.5	0.2	0.4	0.4	0.5
1.5	0.8	0.5	0.6	0.4	0.4	0.4	1.9
13.5	11.4	17.4	29.1	21.1	6.0	5.7	11.8
100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
10,390	10,347	10,636	10,765	10,621	10,461	10,512	10,639
197.37	200.30	203.60	206.06	193.70	178.00	197.53	239.26
2.05	2.07	2.17	2.22	2.06	1.86	2.08	2.55

STATEMENTS OF INCOME
Gulf Power Company

For the Years Ended December 31, (Thousands of Dollars)	1996	1995	1994
Operating Revenues:			
Revenues	$ 616,603	$ 600,458	$ 561,460
Revenues from affiliates	17,762	18,619	17,353
Total operating revenues	634,365	619,077	578,813
Operating Expenses:			
Operation --			
Fuel	184,500	185,274	161,168
Purchased power from non-affiliates	8,300	8,594	6,761
Purchased power from affiliates	35,076	29,966	25,819
Proceeds from settlement of disputed contracts	-	-	-
Other	115,154	113,397	113,879
Maintenance	51,050	51,917	46,700
Depreciation and amortization	56,645	55,104	56,615
Taxes other than income taxes	52,027	49,598	41,701
Federal and state income taxes	37,821	34,065	33,957
Total operating expenses	540,573	527,915	486,600
Operating Income	93,792	91,162	92,213
Other Income (Expense):			
Allowance for equity funds used during construction	17	36	450
Interest income	1,921	2,877	1,429
Other, net	(1,695)	(1,261)	(780)
Gain on sale of investment securities	-	-	-
Income taxes applicable to other income	248	(121)	95
Income Before Interest Charges	94,283	92,693	93,407
Interest Charges:			
Interest on long-term debt	24,691	23,294	27,124
Allowance for debt funds used during construction	(58)	(187)	(656)
Interest on notes payable	2,071	2,931	1,509
Amortization of debt discount, premium, and expense, net	2,087	2,014	1,834
Other interest charges	1,882	1,674	2,442
Net interest charges	30,673	29,726	32,253
Net Income	63,610	62,967	61,154
Dividends on Preferred Stock	5,765	5,813	5,925
Net Income After Dividends on Preferred Stock	$ 57,845	$ 57,154	$ 55,229

STATEMENTS OF INCOME
Gulf Power Company

1993	1992	1991	1990	1989	1988	1987	1986
$ 559,976	$ 546,827	$ 535,864	$ 529,262	$ 488,577	$ 502,550	$ 531,905	$ 515,806
23,166	24,075	29,343	38,563	39,244	48,277	55,955	27,113
583,142	570,902	565,207	567,825	527,821	550,827	587,860	542,919
170,485	182,754	176,038	156,712	158,858	191,687	227,23.	215,262
4,386	1,394	896	1,427	1,251	1,468	1,792	4,533
32,273	26,788	32,579	67,729	48,972	27,267	28,326	37,172
-	(920)	(20,385)	-	-	-	-	-
109,164	98,230	94,411	90,045	82,231	93,028	100,032	70,117
46,004	41,947	45,468	45,491	44,295	41,919	38,748	35,251
55,309	53,758	52,195	50,899	48,760	47,530	44,619	39,386
40,204	37,898	42,359	39,110	30,718	27,087	26,246	24,854
32,730	32,078	33,893	24,780	23,621	26,239	31,703	39,948
490,555	473,927	457,454	476,193	438,706	456,225	498,699	466,523
92,587	96,975	107,753	91,632	89,115	94,602	89,161	76,396
512	14	54	-	(446)	457	1,013	7,809
1,328	2,733	2,427	4,508	3,271	2,858	4,507	2,445
(1,238)	(1,487)	(3,484)	(6,360)	(3,800)	(3,491)	(1,207)	(1,077)
3,820	-	-	-	-	-	-	-
(921)	187	1,104	1,303	779	1,001	(642)	(648)
96,088	98,422	107,854	91,083	88,919	95,427	92,832	84,925
31,344	35,792	41,665	43,215	43,265	42,538	43,689	39,479
(454)	(46)	(95)	1	242	(808)	(1,004)	(8,651)
870	1,041	280	693	180	182	-	106
1,412	1,032	699	603	613	600	555	488
2,877	1,410	2,272	2,422	1,636	1,456	1,350	869
36,049	39,229	44,821	46,934	45,936	43,968	44,590	32,291
60,039	59,193	63,033	44,149	42,983	51,459	48,242	52,634
5,728	5,103	5,237	5,435	5,622	5,761	6,025	6,213
$ 54,311	$ 54,090	$ 57,796	$ 38,714	$ 37,361	$ 45,698	$ 42,217	$ 46,421

STATEMENTS OF CASH FLOWS
Gulf Power Company

For the Years Ended December 31, (Thousands of Dollars)	1996	1995	1994
Operating Activities:			
Net income	$ 63,610	$ 62,967	$ 61,154
Adjustments to reconcile net income to net cash provided by operating activities --			
Depreciation and amortization	71,825	75,293	86,098
Deferred income taxes, net	2,157	390	(6,986)
Deferred investment tax credits, net	-	-	-
Allowance for equity funds used during construction	(17)	(36)	(450)
Non-cash proceeds from settlement of disputed contracts	-	-	-
Other, net	17,292	(26,537)	4,898
Changes in certain current assets and liabilities --			
Receivables, net	736	(12,210)	3,540
Inventories	12,957	(618)	(13,901)
Payables	(7,078)	18,258	(10,159)
Other	(597)	(17,556)	610
Net cash provided from operating activities	160,885	99,951	124,804
Investing Activities:			
Gross property additions	(61,386)	(63,113)	(78,869)
Other	(2,786)	4,401	(3,493)
Net cash used for investing activities	(64,172)	(58,712)	(82,362)
Financing Activities and Capital Contributions:			
Proceeds:			
Preferred stock	-	-	-
First mortgage bonds	55,000	-	-
Pollution control bonds	33,275	-	42,000
Capital contributions from parent company	-	58	98
Other long-term debt	49,148	-	32,108
Retirements:			
Preferred stock	-	(1,000)	(1,000)
First mortgage bonds	(50,930)	(1,750)	(48,856)
Pollution control bonds	(33,275)	(125)	(42,100)
Other long-term debt	(34,923)	(13,314)	(24,240)
Notes payable, net	(55,500)	27,000	47,447
Payment of preferred stock dividends	(5,749)	(5,813)	(5,925)
Payment of common stock dividends	(48,300)	(46,400)	(44,000)
Miscellaneous	(5,332)	(117)	(2,648)
Net cash provided from (used for) financing activities	(96,586)	(41,461)	(47,116)
Net Increase (Decrease) in Cash and Cash Equivalents	127	(222)	(4,674)
Cash and Cash Equivalents at Beginning of Year	680	902	5,576
Cash and Cash Equivalents at End of Year	$ 807	$ 680	$ 902

( ) Denotes use of cash.

STATEMENTS OF CASH FLOWS
Gulf Power Company

1993	1992	1991	1990	1989	1988	1987	1986
$ 60,039	$ 59,193	$ 63,033	$ 44,149	$ 42,983	$ 51,459	$ 48,242	$ 52,634
72,111	68,021	65,584	63,650	59,955	56,260	51,672	41,619
5,347	3,322	(3,392)	1,837	5,319	10,138	2,377	45,213
-	-	-	-	-	-	868	1,634
(512)	(14)	(54)	-	446	(457)	(1,013)	(7,809)
-	(920)	(19,734)	-	-	-	-	-
(864)	185	3,079	1,544	3,827	11,449	12,913	5,860
12,867	(11,041)	12,421	(2,468)	492	8,984	(8,849)	(6,012)
5,574	23,560	(2,397)	(11,807)	16,306	(16,160)	23,691	(1,342)
5,386	1,580	(2,003)	(3,440)	6,142	(5,340)	10,173	449
(9,504)	(13,637)	8,012	5,781	4,466	(18,432)	6,208	(113)
150,444	130,249	124,549	99,246	139,936	97,901	146,282	132,133
(78,562)	(64,671)	(64,323)	(62,462)	(70,726)	(67,042)	(97,511)	(90,160)
(5,328)	3,970	(8,097)	(1,597)	419	(62,782)	(692)	(55,652)
(83,890)	(60,701)	(72,420)	(64,059)	(70,307)	(129,824)	(98,203)	(145,812)
35,000	29,500	-	-	-	-	-	-
75,000	25,000	50,000	-	-	35,000	-	50,000
53,425	8,930	21,200	-	-	3,677	35,996	9,900
11	121	-	4,000	7,000	25,000	-	-
25,000	-	-	-	-	-	-	60,663
(21,060)	(15,500)	(2,500)	(1,750)	(1,250)	(1,750)	(2,500)	(750)
(88,809)	(117,693)	(32,807)	(6,455)	(9,344)	(9,369)	-	(46,640)
(40,000)	(9,205)	(21,250)	(50)	(50)	(50)	(32,050)	(50)
(7,736)	(5,783)	(7,981)	(6,083)	(5,611)	(5,175)	(4,774)	-
(37,947)	44,000	-	-	-	-	-	-
(5,728)	(5,103)	(5,237)	(5,435)	(5,622)	(5,761)	(6,025)	(6,213)
(41,800)	(39,900)	(38,000)	(37,000)	(37,200)	(35,400)	(34,200)	(33,100)
(6,888)	(8,760)	(3,715)	5	(3)	(233)	(1,632)	(6,064)
(62,182)	(94,393)	(40,290)	(52,768)	(52,080)	5,939	(45,185)	27,746
4,372	(24,845)	11,839	(17,581)	17,549	(25,984)	2,894	14,067
1,204	26,049	14,210	31,791	14,242	40,226	37,332	23,265
$ 5,576	$ 1,204	$ 26,049	$ 14,210	$ 31,791	$ 14,242	$ 40,226	$ 37,332

BALANCE SHEETS
Gulf Power Company

At December 31, (Thousands of Dollars)	1996	1995	1994
ASSETS			
Utility Plant:			
Production-fossil	$ 921,295	$ 905,784	$ 896,236
Transmission	161,634	156,786	155,967
Distribution	530,467	512,184	487,986
General	121,114	121,060	116,178
Construction work in progress	23,465	26,301	24,288
Total utility plant	1,757,975	1,722,115	1,680,655
Accumulated provision for depre ·tion	694,245	658,806	622,911
Total	1,063,730	1,063,309	1,057,744
Less property-related accumulated deferred income taxes	-	-	-
Total	1,063,730	1,063,309	1,057,744
Other Property and Investments			
Securities received from settlement of disputed contracts	-	-	-
Miscellaneous	652	740	7,997
Total	652	740	7,997
Current Assets:			
Cash and cash equivalents	807	680	902
Investment securities	-	-	-
Receivables, net	71,857	72,593	60,384
Fossil fuel stock, at average cost	28,352	37,875	35,686
Materials and supplies, at average cost	30,252	33,686	35,257
Current portion of deferred coal contract costs	16,389	12,767	2,521
Regulatory clauses under recovery	4,144	3,432	5,002
Prepayments	9,186	12,232	4,354
Vacation pay deferred	4,055	4,419	4,172
Total	165,042	177,684	148,278
Deferred Charges:			
Deferred charges related to income taxes	28,313	29,093	30,433
Debt expense, being amortized	2,922	3,444	3,625
Prem m on reacquired debt, being amortized	20,386	17,015	18,494
Deferred coal contract costs	13,126	33,768	38,169
Miscellaneous	14,195	16,806	10,802
Total	78,942	100,126	101,523
Total Assets	$ 1,308,366	$ 1,341,859	$ 1,315,542

BALANCE SHEETS
Gulf Power Company

1993	1992	1991	1990	1989	1988	1987	1986
$ 863,223	$ 841,489	$ 837,712	$ 817,490	$ 807,546	$ 796,052	$ 801,600	$ 608,340
154,304	148,824	143,275	136,813	132,926	113,177	106,352	99,507
464,182	443,352	419,228	400,016	375,521	343,421	325,037	295,052
129,995	127,826	125,330	123,059	119,779	115,273	102,664	66,092
34,591	29,564	13,684	16,868	10,166	29,5[illegible]	10,113	188,966
1,646,295	1,591,055	1,539,229	1,494,246	1,446,938	1,397,495	1,345,766	1,257,957
610,542	578,851	535,408	501,739	464,944	425,520	388,248	350,117
1,035,753	1,012,204	1,[illegible]3,821	992,507	981,994	971,975	957,518	907,840
-	200,904	197,138	192,749	186,084	178,657	166,707	152,589
1,035,753	811,300	806,683	799,758	795,910	793,318	790,811	755,251
-	-	19,938	-	-	-	-	-
13,242	7,074	6,410	5,439	6,933	6,756	2,932	2,619
13,242	7,074	26,348	5,439	6,933	6,756	2,932	2,619
5,576	1,204	26,049	14,210	31,791	14,242	40,226	37,332
-	22,322	-	-	-	-	-	-
63,924	60,047	49,006	61,427	58,959	59,451	68,435	59,586
20,652	29,492	52,106	50,469	37,526	55,286	43,290	69,785
36,390	33,124	34,070	33,310	34,446	32,992	28,828	26,024
12,535	3,071	4,626	6,212	5,534	6,194	2,642	-
3,244	1,680	-	7,008	4,503	1,218	-	-
2,160	1,395	1,410	2,168	2,490	3,577	677	788
4,022	3,779	3,776	3,631	3,425	3,340	3,200	3,000
148,503	156,114	171,043	178,435	178,674	176,300	187,298	196,515
31,334	-	-	-	-	-	-	-
3,693	3,253	3,232	2,954	3,117	3,281	3,203	2,736
17,554	15,319	8,855	6,256	6,574	6,892	7,210	-
52,884	63,723	74,502	87,102	97,833	106,263	55,889	60,663
4,846	5,916	5,073	4,635	4,389	4,415	3,839	11,080
110,311	88,211	91,662	100,947	111,913	120,851	70,141	74,479
$ 1,307,809	$ 1,062,699	$ 1,095,736	$ 1,084,579	$ 1,093,430	$ 1,097,225	$ 1,051,182	$ 1,028,864

BALANCE SHEETS
Gulf Power Company

At December 31, (Thousands of Dollars)	1996	1995	1994
CAPITALIZATION AND LIABILITIES			
Capitalization:			
Common stock	$ 38,060	$ 38,060	$ 38,060
Paid-in capital	218,438	218,438	218,380
Premium on preferred stock	81	81	91
Earnings retained in the business	179,179	179,663	168,951
Total common equity	435,758	436,242	425,472
Preferred stock	65,102	89,602	89,602
Preferred stock subject to mandatory redemption	-	-	-
Long-term debt	331,880	323,376	356,393
Total (excluding amount due within one year)	832,740	849,220	871,467
Current Liabilities:			
Notes payable to banks	25,000	80,500	53,500
Preferred stock due within one year	24,500		1,000
Long-term debt due within one year	40,972	31,548	13,439
Accounts payable	32,770	41,643	23,656
Customer deposits	13,464	13,195	13,609
Taxes accrued	8,342	9,547	13,465
Interest accrued	7,629	5,719	6,106
Regulatory clauses over recovery	5,884	2,800	3,960
Vacation pay accrued	4,055	4,419	4,172
Miscellaneous	17,121	7,356	7,828
Total	179,737	196,727	140,735
Deferred Credits and Other Liabilities:			
Accumulated deferred income taxes	163,857	162,345	151,681
Deferred credits related to income taxes	64,354	67,481	71,964
Accumulated deferred investment tax credits	33,760	36,052	38,391
Miscellaneous	33,918	30,034	41,304
Total	295,889	295,912	303,340
Total Capitalization and Liabilities	$ 1,308,366	$ 1,341,859	$ 1,315,542

BALANCE SHEETS
Gulf Power Company

1993	1992	1991	1990	1989	1988	1987	1986
$ 38,060	$ 38,060	$ 38,060	$ 38,060	$ 38,060	$ 38,060	$ 38,060	$ 38,060
218,282	218,271	218,150	218,150	214,150	207,150	182,150	182,150
81	88	399	399	399	399	399	399
157,773	146,771	134,372	114,576	112,862	112,701	102,403	94,386
414,196	403,190	390,981	371,185	365,471	358,310	323,012	314,995
89,602	74,662	55,162	55,162	55,162	55,162	55,162	55,162
1,000	2,000	7,500	9,250	11,000	12,750	14,000	16,500
369,259	382,047	434,648	475,284	484,608	497,069	474,640	482,869
874,057	861,899	888,291	910,881	916,241	923,291	866,814	869,526
6,053	44,000	-	-	-	-	-	-
1,000	1,000	1,000	1,750	1,750	1,250	1,750	1,750
41,552	13,820	59,111	9,452	12,588	15,005	13,225	4,823
38,699	33,461	25,315	27,447	34,764	29,595	34,500	24,014
15,082	15,532	15,513	15,551	15,752	15,316	15,565	14,715
13,015	11,419	19,274	19,610	12,388	10,683	7,850	10,986
5,420	6,370	9,720	10,820	10,105	10,247	9,584	11,024
840	-	1,114	-	-	-	9,330	-
4,022	3,779	3,776	3,631	3,425	3,340	3,200	3,000
8,527	3,950	3,545	12,177	7,759	2,748	2,144	3,869
134,210	133,331	138,368	100,438	98,531	88,184	97,148	74,181
151,743	-	1,775	6,736	13,381	17,678	22,992	23,550
76,876	-	-	-	-	-	-	-
40,770	43,117	45,446	47,776	50,109	52,451	54,597	55,843
30,153	24,352	21,856	18,748	15,168	15,621	9,631	5,764
299,542	67,469	69,077	73,260	78,658	85,750	87,220	85,157
$ 1,307,809	$ 1,062,699	$ 1,095,736	$ 1,084,579	$ 1,093,430	$ 1,097,225	$ 1,051,182	$ 1,028,864

GULF POWER COMPANY

OUTSTANDING SECURITIES AT DECEMBER 31, 1996

First Mortgage Bonds

Series	Amount Issued (Thousands)	Interest Rate	Amount Outstanding (Thousands)	Maturity
1992	$ 25,000	5-7/8%	$ 25,000	8/1/97
1993	15,000	5.55%	15,000	4/1/98
1993	30,000	5%	30,000	7/1/98
1993	30,000	6-1/8%	30,000	7/1/03
1996	30,000	6-7/8%	30,000	1/1/26
1996	25,000	6-1/2%	25,000	11/1/06
	$ 155,000		$ 155,000	

Pollution Control Bonds

Series	Amount Issued (Thousands)	Interest Rate	Amount Outstanding (Thousands)	Maturity
1987	$ 32,000	8-1/4%	$ 32,000	6/1/17
1992	8,930	6-3/4%	8,930	3/1/22
1993	13,000	6.20%	13,000	4/1/23
1993	32,550	5.80%	32,550	6/1/23
1993	7,875	5.70%	7,875	11/1/23
1994	22,000	6.30%	22,000	9/1/24
1994	20,000	Variable	20,000	9/1/24
1996	21,200	5-1/2%	21,200	2/1/26
1996	12,075	5.25%	12,075	4/1/06
	$ 169,630		$ 169,630	

Preferred Stock

Series	Shares Outstanding	Dividend Rate	Amount Outstanding (Thousands)
1950	51,026	4.64%	$ 5,102
1960	50,000	5.16%	5,000
1966	50,000	5.44%	5,000
1969	50,000	7.52%	5,000
1972	50,000	7.88%	5,000
1992	580,000	7%	14,500
1992	600,000	7.30%	15,000
1993	800,000	6.72%	20,000
1993	600,000	Adjustable	15,000
	2,831,026		$ 89,602

GULF POWER COMPANY

SECURITIES RETIRED DURING 1996

First Mortgage Bonds

Series	Principal Amount (Thousands)	Interest Rate
1978	$ 930	9%
1991	50,000	8-3/4%
	$ 50,930	

Pollution Control Bonds

Series	Principal Amount (Thousands)	Interest Rate
1976	$ 12,075	6%
1991	21,200	7-1/8%
	$ 33,275	

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MISSISSIPPI POWER COMPANY

FINANCIAL SECTION

MANAGEMENT'S REPORT

Mississippi Power Company 1996 Annual Report

The management of Mississippi Power Company has prepared--and is responsible for--the financial statements and related information included in this report. These statements were prepared in accordance with generally accepted accounting principles appropriate in the circumstances and necessarily include amounts that are based on best estimates and judgments of management. Financial information throughout this annual report is consistent with the financial statements.

The Company maintains a system of internal accounting controls to provide reasonable assurance that assets are safeguarded and that books and records reflect only authorized transactions of the Company. Limitations exist in any system of internal controls, however, based upon a recognition that the cost of the system should not exceed its benefits. The Company believes its system of internal accounting control maintains an appropriate cost/benefit relationship.

The Company's system of internal accounting controls is evaluated on an ongoing basis by the internal audit staff. The Company's independent public accountants also consider certain elements of the internal control system in order to determine their auditing procedures for the purpose of expressing an opinion on the financial statements.

The audit committee of the board of directors, composed of four directors who are not employees, provides a broad overview of management's financial reporting and control functions. Periodically, this committee meets with management, the internal auditors, and the independent public accountants to ensure that these groups are fulfilling their obligations and to discuss auditing, internal controls, and financial reporting matters. The internal auditors and independent public accountants have access to the members of the audit committee at any time.

Management believes that its policies and procedures provide reasonable assurance that the Company's operations are conducted according to a high standard of business ethics.

In management's opinion, the financial statements present fairly, in all material respects, the financial position, results of operations, and cash flows of Mississippi Power Company in conformity with generally accepted accounting principles.



Dwight H. Evans
President and Chief Executive Officer



Michael W. Southern
Vice President, Secretary, Treasurer and
Chief Financial Officer

February 12, 1997

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Board of Directors of
Mississippi Power Company:

We have audited the accompanying balance sheets and statements of capitalization of Mississippi Power Company (a Mississippi corporation and a wholly owned subsidiary of Southern Company) as of December 31, 1996 and 1995, and the related statements of income, retained earnings, paid-in capital, and cash flows for each of the three years in the period ended December 31, 1996. These financial statements are the responsibility of the Company's management. Our responsibil. is to express an opinion on these financial statements based on our audits

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation We believe that our audits provide a reasonable basis for our opinion

In our opinion, the financial statements (pages II-192 through II-207) referred to above present fairly, in all material respects, the financial position of Mississippi Power Company as of December 31, 1996 and 1995, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 1996, in conformity with generally accepted accounting principles

Arthur Andersen LLP

Atlanta, Georgia
February 12, 1997

RESULTS OF OPERATIONS

Earnings

Mississippi Power Company's net income after dividends on preferred stock for 1996 was $52.7 million, an increase of 0.4 percent or $0.2 million over the corresponding amount in 1995. Earnings reflect a modest increase in energy sales, an annual retail rate decrease of $3.0 million under the Environmental Compliance Overview Plan (ECO Plan), effective in April 1996, and an annual retail rate increase of $4.5 million under the Performance Evaluation Plan (PEP), effective October 1996.

A comparison of 1995 earnings to 1994 shows an increase of $3.4 million. The increase was due to increased energy sales and an annual retail rate increase of $3.7 million under the ECO Plan, effective in May 1995.

In April 1994, retail rates increased by $7.6 million annually under the ECO Plan and wholesale rates increased by $3.6 million.

Revenues

The following table summarizes the factors impacting operating revenues for the past three years:

	Increase (Decrease) from Prior Year		
	1996	1995	1994
	(in thousands)		
Retail --			
Change in base rates (PEP and ECO Plan)	$ (402)	$ 2,694	$ 9,314
Sales growth	11,187	4,045	9,560
Weather	(5,585)	4,513	1,752
Fuel cost recovery and other	(1,255)	3,806	6,594
Total retail	3,945	15,058	27,220
Sales for resale --			
Non-affiliates	7,776	3,698	4,611
Affiliates	14,139	(1,847)	(5,981)
Total sales for resale	21,915	1,851	(1,370)
Other operating revenues	1,616	482	(1,571)
Total operating revenues	$27,476	$17,391	$24,279
Percent change	5.3%	3.5%	5.1%

In 1996, retail revenues were $414 million, a 1.0 percent increase above the $410 million recorded in the prior year. This change in retail revenues was due to a number of factors. These factors included modest growth in energy sales of 3.8 percent, 3.3 percent and 1.9 percent to industrial, commercial and residential customers, respectively, and changes in retail revenues due to the ECO Plan and PEP, as discussed earlier. Retail revenues in 1995 when compared to 1994 showed an increase of 3.8 percent resulting from an increase in energy sales to commercial and residential customers, an increase in the number of customers and a retail rate increase under the ECO Plan. Changes in base rates reflect rate changes made under the PEP and ECO Plan.

Under the fuel cost recovery provision, recorded fuel revenues are equal to recorded fuel expenses, including the fuel component and the operation and maintenance component of purchased energy. Therefore, changes in

recoverable fuel expenses are offset with corresponding changes in fuel revenues and have no effect on net income

Energy sales to non-affiliates include economy sales and amounts sold under short-term contracts. Sales for resale to non-affiliates are influenced by those utilities' own customer demand, plant availability, and the cost of their predominant fuels -- oil and natural gas.

Included in sales for resale to non-affiliates are revenues from rural electric cooperative associations and municipalities located in southeastern Mississippi. Energy sales to these customers increased 6.4 percent in 1996 and 13.1 percent in 1995 with the related revenues rising 7.1 percent and 16.7 percent, respectively. The customer demand experienced by these utilities is determined by factors very similar to Mississippi Power's.

Sales for resale to non-territorial utilities are primarily under long-term contracts consisting of capacity and energy components. Capacity revenues reflect the recovery of fixed costs and a return on investment under the contracts. Energy is generally sold at variable cost. Under these long-term contracts, the capacity and energy components were:

	1996	1995	1994
		(in thousands)	
Capacity	$ -	$ 268	$ 1,965
Energy	3,761	3,627	8,473
Total	$3,761	$3,895	$10,438

Capacity revenues for Mississippi Power varied due to changes in the contracts and in the allocation of transmission capacity revenues throughout the Southern electric system. Most of the Company's capacity revenues are derived from transmission charges.

Sales to affiliated companies within the Southern electric system will vary from year to year depending on demand and the availability and cost of generating resources at each company. These sales have no material impact on earnings.

Below is a breakdown of kilowatt-hour sales for 1996 and the percent change for the last three years:

(millions of kilowatt-hours)	Amount 1996	Percent Change 1996	1995	1994
Residential	2,080	1.9%	6.2%	(0.4)
Commercial	2,316	3.3	6.7	8.6
Industrial	3,960	3.8	(0.9)	6.2
Other	39	1.9	1.1	(0.5)
Total retail	8,395	3.2	2.9	5.1
Sales for resale --				
Non-affiliates	2,727	9.4	(2.4)	0.4
Affiliates	694	184.7	39.7	(59.2)
Total	11,816	8.7%	2.2%	1.3%

Total retail energy sales in 1996 increased over 1995 primarily due to growth in the number of customers served by the Company. Total retail energy sales in 1995, when compared to the previous year, increased due to weather influences and the improving economy within the Company's service area.

The Company anticipates continued growth in energy sales as the economy improves within its service area. The casino industry and ancillary services, such as lodging, food, transportation, etc., are some of the factors which may influence the economy of the Company's service area. Also, energy demand is expected to grow as a result of a larger and more fully employed population.

Expenses

Total operating expenses for 1996 when compared to 1995 increased 6.6 percent due to higher fuel expenses, higher maintenance expenses and higher depreciation and amortization. A comparison of 1995 to 1994 operating expenses reflects an increase that resulted from higher fuel expenses, increased other operation expenses and increased depreciation and amortization.

Fuel costs are the single largest expense for the Company. In 1996, fuel costs increased above those recorded in 1995 due to a 21.7 percent increase in generation. The increase in generation can be attributed to the higher demand for energy within the Company's service area and across the Southern electric system. Further, this increased demand for energy resulted in higher purchased power costs from non-affiliates and lower purchased power

costs from the affiliates of the Southern electric system. A comparison of 1995 fuel expenses to 1994 fuel expenses reflects an increase in generation due to higher demand for energy.

Purchased power consists mainly of energy purchases from the affiliates of the Southern electric system. Purchased power transactions (both sales and purchases) among Mississippi Power and its affiliates will vary from period to period depending on demand and the availability and variable production cost at each generating unit in the Southern electric system.

The amount and sources of energy supply, the average cost of fuel per net kilowatt-hour generated, and the total average cost of energy supply (including purchased power) were as follows:

	1996	1995	1994
Total generation (millions of kilowatt-hours)	10,180	8,368	7,408
Sources of energy supply (percent) --			
Coal	70	58	56
Gas	12	15	10
Oil	*	*	*
Purchased Power	18	27	34
Average cost of fuel per net kilowatt-hour generated (cents) --			
Coal	1.43	1.58	1.67
Gas	4.24	2.32	2.56
Oil	5.71	6.21	4.15
Total average cost of energy supply	1.56	1.53	1.55

* Not meaningful because of minimal generation from the fuel source

Other operation expenses in 1995 when compared to 1994, increased due to higher generation, a $2.6 million charge for emission allowance expenditures and work force reduction program costs. (See Note 2 to the financial statements under "Work Force Reduction Programs" for additional information.)

In 1996, maintenance expenses rose above the amount recorded for 1995 due to the timing of maintenance performed at Plants Daniel and Watson, as well as other projects. A comparison of 1995 maintenance expenses to 1994 reflects a decrease due to the timing of scheduled maintenance.

Depreciation and amortization in 1996, as compared to 1995, increased primarily due to additional plant investment, higher depreciation rates beginning in 1996, and increased amortization of regulatory assets. In 1995, as compared to 1994, depreciation and amortization increased primarily due to additional plant investments.

Taxes other than income taxes for 1996 increased from 1995 much like 1995 when compared to 1994, due to higher municipal franchise taxes resulting from higher retail revenues.

The decrease in 1996 income taxes when compared to 1995, is a result of lower operating income. The change in income taxes between 1995 and 1994 also reflects the change in operating income.

Effects of Inflation

Mississippi Power is subject to rate regulation and income tax laws that are based on the recovery of historical costs. Therefore, inflation creates an economic loss because the Company is recovering its costs of investments in dollars that have less purchasing power. While the inflation rate has been relatively low in recent years, it continues to have an adverse effect on the Company because of the large investment in long-lived utility plant. Conventional accounting for historical costs does not recognize this economic loss nor the partially offsetting gain that arises through financing facilities with fixed-money obligations, such as long-term debt and preferred stock. Any recognition of inflation by regulatory authorities is reflected in the rate of return allowed.

Future Earnings Potential

The results of operations for the past three years are not necessarily indicative of future earnings potential. The level of future earnings depends on numerous factors ranging from regulatory matters to energy sales growth to a less regulated more competitive environment. Expenses are subject to constant review and cost control programs. Mississippi Power is also maximizing the utility of invested capital and minimizing the need for capital by refinancing, decreasing the average fuel stockpile, raising generating plant availability and efficiency, and aggressively

controlling the construction budget. Operating revenues will be affected by any changes in rates under the PEP, the Company's performance based ratemaking plan, and the ECO Plan. PEP has proven to be a stabilizing force on electric rates, with only moderate changes in rates taking place.

The ECO Plan provides for recovery of costs (including costs of capital) associated with environmental projects approved by the Mississippi Public Service Commission (MPSC), most of which are required to comply with Clean Air Act Amendments of 1990 (Clean Air Act) regulations The ECO Plan is operated independently of PEP. The Clean Air Act and other important environmental items are discussed later under "Environmental Matters."

The Federal Energy Regulatory Commission (FERC) regulates wholesale rate schedules and power sales contracts that Mississippi Power has with its sales for resale customers. The FERC is currently reviewing the rate of return on common equity included in these schedules and contracts and may require such returns to be lowered, possibly retroactively.

Further discussion of PEP, the ECO Plan, and proceedings before the FERC is made in Note 3 to the financial statements herein.

Future earnings in the near term will depend upon growth in energy sales, which are subject to a number of factors. Traditionally, these factors have included weather, competition, changes in contracts with neighboring utilities, energy conservation practiced by customers, the elasticity of demand, and the rate of economic growth in Mississippi Power's service area. However, the Energy Policy Act of 1992 (Energy Act) is beginning to have a dramatic effect on the future of the electric utility industry. The Energy Act promotes energy efficiency, alternative fuel use, and increased competition for electric utilities. The Company is positioning its business to meet the challenge of this major change in the traditional practice of selling electricity The Energy Act allows Independent Power Producers (IPPs) to access a utility's transmission network in order to sell electricity to other utilities. This enhances the incentive for IPPs to build cogeneration plants for a utility's large industrial and commercial customers and sell energy generation to other utilities. Also, electricity sales for resale rates are being driven down by wholesale transmission access and numerous potential new energy suppliers, including power marketers and brokers The Company is aggressively working to maintain and expand its share of wholesale sales in the Southeastern power markets.

Various federal and state initiatives designed to promote wholesale and retail competition, among other things, include proposals that would allow customers to choose their electricity provider As the initiatives materialize, the structure of the utility industry could radically change Certain initiatives could result in a change in the ownership and/or operation of generation and transmission facilities Numerous issues must be resolved, including significant ones relating to transmission pricing and recovery of stranded investments Being a low-cost producer could provide significant opportunities to increase market share and profitability in markets that evolve with changing regulation Unless Mississippi Power remains a low-cost producer and provides quality service, the Company's retail energy sales growth could be limited, and this could significantly erode earnings

Mississippi Power is subject to the provisions of Financial Accounting Standards Board Statement No 71, Accounting for the Effects of Certain Types of Regulation In the event that a portion of the Company's operations is no longer subject to these provisions, the Company would be required to write off related regulatory assets and liabilities, and determine if any other assets have been impaired See Note 1 to the financial statements under "Regulatory Assets and Liabilities" for additional information

FINANCIAL CONDITION

Overview

The principal changes in Mississippi Power's financial condition during 1996 were gross property additions to utility plant of $61 million. Funding for gross property additions and other capital requirements have been provided from operating activities, principally earnings and the non-cash charges to income of depreciation and amortization, and other long-term debt. The Statements of Cash Flows provide additional details.

Financing Activity

Retirements, including maturities during 1996, primarily related to other long-term debt and first mortgage bonds, totaled some $100 million. In 1996, the Company obtained $80 million of long-term bank notes. (See the Statements of Cash Flows for further details.) Composite financing rates for the years 1994 through 1996 as of year-end were as follows:

	1996	1995	1994
Composite interest rate on long-term debt	6.03%	6.63%	6.44%
Composite preferred stock dividend rate	6.58%	6.58%	6.58%

The decrease in composite interest rate on long-term debt in 1996 is primarily the result of the retirement of higher cost first mortgage bonds.

Capital Structure

At year-end 1996, the Company's ratio of common equity to total capitalization, excluding long-term debt due within one year was 48.9 percent, compared to 50.8 percent in 1995. The decrease in equity ratio in 1996 is attributed primarily to a 13.0 percent increase in long-term debt, excluding amounts due in one year.

Capital Requirements for Construction

The Company's projected construction expenditures for the next three years total $231 million ($57 million in 1997, $58 million in 1998, and $116 million in 1999). The major emphasis within the construction program will be on upgrading existing facilities and the possible addition of a combined cycle unit. Revisions may be necessary because of factors such as changes in business conditions, revised load projections, the availability and cost of capital, and changes in environmental regulations.

Other Capital Requirements

In addition to the funds required for the Company's construction program, approximately $85.1 million will be required by the end of 1999 for present sinking fund requirements and maturities of long-term debt. Mississippi Power plans to continue, when economically feasible, to retire higher cost debt and preferred stock and replace these obligations with lower-cost capital if market conditions permit.

Environmental Matters

In November 1990, the Clean Air Act was signed into law. Title IV of the Clean Air Act -- the acid rain compliance provision of the law -- has significantly impacted Mississippi Power and the other operating companies of Southern Company. Specific reductions in sulfur dioxide and nitrogen oxide emissions from fossil-fired generating plants are required in two phases. Phase I compliance began in 1995 and initially affected 28 generating plants in the Southern electric system. As a result of Southern Company's compliance strategy, an additional 22 generating units were brought into compliance with Phase I requirements. Phase II compliance is required in 2000, and all fossil-fired generating plants will be affected.

In 1995, the Environmental Protection Agency (EPA) began issuing annual sulfur dioxide emission allowances through the allowance trading program. An emission allowance is the authority to emit one ton of sulfur dioxide during a calendar year. The sulfur dioxide emission allowance program is expected to minimize the cost of compliance. Southern Company's sulfur dioxide compliance strategy is designed to take advantage of allowances as a compliance option.

Southern Company achieved Phase I sulfur dioxide compliance at the affected plants by switching to low-sulfur coal, which has required some equipment upgrades. This compliance strategy resulted in unused emission allowances being banked for later use. Construction

expenditures for Phase I compliance totaled approximately $65 million for Mississippi Power.

For Phase II sulfur dioxide compliance, Southern Company could use emission allowances, increase fuel switching, and/or install flue gas desulfurization equipment at selected plants. Also, equipment to control nitrogen oxide emissions will be installed on additional system fossil-fired plants as required to meet Phase II limits. Therefore, current compliance strategy for Mississippi Power could require total Phase II estimated construction expenditures of approximately $4 million, all of which remains to be spent. However, the full impact of Phase II compliance cannot now be determined with certainty, pending the continuing development of a market for emission allowances, the completion of EPA regulations, and the possibility of new emission reduction technologies.

An average increase of up to 2 percent in revenue requirements from customers could be necessary to fully recover the Company's cost of compliance for both Phase I and Phase II of Title IV of the Clean Air Act. Compliance costs include construction expenditures, increased costs for switching to low-sulfur coal, and costs related to emission allowances.

Mississippi Power's ECO Plan is designed to allow recovery of costs of compliance with the Clean Air Act, as well as other environmental statutes and regulations. The MPSC reviews environmental projects and the Company's environmental policy through the ECO Plan. Under the ECO Plan, any increase in the annual revenue requirement is limited to 2 percent of retail revenues. Mississippi Power's management believes that the ECO Plan provides for recovery of Clean Air Act costs. See Note 3 to the financial statements under "Environmental Compliance Overview Plan" for additional information.

A significant portion of costs related to the acid rain provision of the Clean Air Act is expected to be recovered through existing ratemaking provisions. However, there can be no assurance that all Clean Air Act costs will be recovered.

The EPA and state environmental regulatory agencies are reviewing and evaluating various matters including revisions to the ambient air quality standards for ozone and particulate matter, emission control strategies for ozone nonattainment areas, additional controls for hazardous air pollutant emissions, and hazardous waste disposal requirements. The impact of new standards will depend on the development and implementation of applicable regulations.

The Company must comply with other environmental laws and regulations that cover the handling and disposal of hazardous waste. Under these various laws and regulations, the Company could incur costs to clean up properties currently or previously owned. Upon identifying potential sites, the Company conducts studies, when possible, to determine the extent of any required cleanup costs. Should remediation be determined to be probable, reasonable estimates of costs to clean up such sites are developed and recognized in the financial statements. A currently owned site where manufactured gas plant operations were located prior to the Company's ownership is being investigated for potential remediation. See Note 3 to the financial statements under "Environmental Compliance Overview Plan" for additional information.

Several major pieces of environmental legislation are being considered for reauthorization or amendment by Congress. These include the Clean Air Act, the Clean Water Act, the Comprehensive Environmental Response, Compensation, and Liability Act, the Resource Conservation and Recovery Act, and the Endangered Species Act. Changes to these laws could affect many areas of the Company's operations. The full impact of any such changes cannot be determined at this time.

Compliance with possible new legislation related to global climate change, electromagnetic fields, and other environmental and health concerns could significantly affect the Company. The impact of new legislation -- if any -- will depend on the subsequent development and implementation of applicable regulations. In addition, the potential exists for liability as the result of lawsuits alleging damages caused by electromagnetic fields.

Sources of Capital

At December 31, 1996, the Company had $76.3 million of unused committed credit agreements. The Company had no short-term notes payable outstanding at year end 1996.

In February 1997, Mississippi Power Capital Trust I (Trust I), of which the Company owns all the common securities, issued $35 million of 7.75 percent mandatorily redeemable preferred securities. Substantially all of the assets of Trust I are $36 million aggregate principal amount of the Company's 7.75 percent junior subordinated notes due February 15, 2037.

It is anticipated that the funds required for construction and other purposes, including compliance with environmental regulations, will be derived from operations, the sale of additional first mortgage bonds, pollution control obligations, and preferred stock, and the receipt of additional capital contributions from Southern Company. Mississippi Power is required to meet certain coverage requirements specified in its mortgage indenture and corporate charter to issue new first mortgage bonds and preferred stock. The Company's coverage ratios are sufficiently high enough to permit, at present interest rate levels, any foreseeable security sales. The amount of securities which the Company will be permitted to issue in the future will depend upon market conditions and other factors prevailing at that time.

STATEMENTS OF INCOME

For the Years Ended December 31, 1996, 1995, and 1994
Mississippi Power Company 1996 Annual Report

	1996	1995	1994
		(In thousands)	
Operating Revenues (Notes 1 and 3):			
Revenues	$ 522,199	$ 508,862	$ 489,624
Revenues from affiliates	21,830	7,691	9,538
Total operating revenues	544,029	516,553	499,162
Operating Expenses:			
Operation --			
Fuel	141,532	111,071	102,216
Purchased power from non-affiliates	17,960	6,019	2,711
Purchased power from affiliates	33,245	57,777	68,543
Other	106,061	107,296	97,988
Maintenance	47,091	39,627	45,785
Depreciation and amortization	44,906	39,224	35,716
Taxes other than income taxes	43,545	42,443	41,742
Federal and state income taxes (Note 8)	32,618	34,486	31,386
Total operating expenses	466,958	437,943	426,087
Operating Income	77,071	78,610	73,075
Other Income (Expense):			
Allowance for equity funds used during construction	344	366	1,099
Interest income	239	199	87
Other, net	3,801	4,596	2,033
Income taxes applicable to other income	(932)	(1,006)	(227)
Income Before Interest Charges	80,523	82,765	76,067
Interest Charges:			
Interest on long-term debt	19,898	21,898	19,725
Allowance for debt funds used during construction	(713)	(399)	(1,039)
Interest on notes payable	1,416	1,141	1,442
Amortization of debt discount, premium, and expense, net	1,547	1,510	1,479
Other interest charges	753	1,185	404
Net interest charges	22,901	25,335	22,011
Net Income	57,622	57,430	54,056
Dividends on Preferred Stock	4,899	4,899	4,899
Net Income After Dividends on Preferred Stock	$ 52,723	$ 52,531	$ 49,157

The accompanying notes are an integral part of these statements

STATEMENTS OF CASH FLOWS

For the Years ended December 31, 1996, 1995, and 1994
Mississippi Power Company 1996 Annual Report

	1996	1995	1994
		(In thousands)	
Operating Activities:			
Net income	$ 57,622	$ 57,430	$ 54,056
Adjustments to reconcile net income to net cash provided by operating activities --			
Depreciation and amortization	50,551	51,588	47,827
Deferred income taxes	74	(480)	1,563
Allowance for equity funds used during construction	(344)	(366)	(1,099)
Other, net	9,787	5,704	5,230
Changes in certain current assets and liabilities --			
Receivables, net	5,118	(8,758)	3,066
Inventories	4,973	3,962	(9,856)
Payables	2,077	17,421	(8,754)
Other	292	681	3,334
Net cash provided from operating activities	130,150	127,182	95,367
Investing Activities:			
Gross property additions	(61,314)	(67,570)	(104,014)
Other	(2,258)	(1,697)	(14,087)
Net cash used for investing activities	(63,572)	(69,267)	(118,101)
Financing Activities:			
Proceeds:			
Capital contributions	27	-	25,000
First mortgage bonds	-	30,000	35,000
Pollution control bonds	-	10,600	-
Other long-term debt	80,000	-	85,310
Retirements:			
First mortgage bonds	(45,447)	(1,625)	(32,628)
Pollution control bonds	(10)	(10)	(10)
Other long-term debt	(55,000)	(40,689)	(9,299)
Notes payable, net	-	-	(40,000)
Payment of preferred stock dividends	(4,899)	(4,899)	(4,899)
Payment of common stock dividends	(43,900)	(39,400)	(34,100)
Miscellaneous	(2,932)	(568)	(1,201)
Net cash provided from (used for) financing activities	(72,161)	(46,591)	23,173
Net Change in Cash and Cash Equivalents	(5,583)	11,324	439
Cash and Cash Equivalents at Beginning of Year	12,641	1,317	878
Cash and Cash Equivalents at End of Year	$ 7,058	$ 12,641	$ 1,317
Supplemental Cash Flow Information:			
Cash paid during the year for --			
Interest (net of amount capitalized)	$21,467	$23,308	$19,196
Income taxes	34,072	36,908	31,115

( ) Denotes use of cash

The accompanying notes are an integral part of these statements.

BALANCE SHEETS

At December 31, 1996 and 1995

Mississippi Power Company 1996 Annual Report

ASSETS	1996	1995
		(in thousands)
Utility Plant:		
Plant in service, at original cost (Notes 1 and 6)	$ 1,483,875	$ 1,434,327
Less accumulated provision for depreciation	526,776	499,308
	957,099	935,019
Construction work in progress	35,100	41,210
Total	992,199	976,229
Other Property and Investments	3,054	4,160
Current Assets:		
Cash and cash equivalents	7,058	12,641
Receivables-		
Customer accounts receivable	26,364	29,738
Regulatory clauses under recovery	7,300	7,975
Other accounts and notes receivable	7,468	5,616
Affiliated companies	6,329	9,213
Accumulated provision for uncollectible accounts	(839)	(802)
Fossil fuel stock, at average cost	12,168	15,666
Materials and supplies, at average cost	21,083	22,558
Current portion of deferred fuel charges (Note 5)	-	1,546
Current portion of accumulated deferred income taxes (Note 8)	7,227	5,180
Prepayments	4,744	2,404
Vacation pay deferred	4,806	4,715
Total	103,708	116,450
Deferred Charges:		
Debt expense and loss, being amortized	12,220	10,039
Deferred charges related to income taxes (Note 8)	22,274	23,384
Deferred early retirement program costs (Note 2)	-	7,286
Long-term notes receivable	3,737	3,821
Miscellaneous	5,135	7,584
Total	43,366	52,114
Total Assets	$ 1,142,327	$ 1,148,953

The accompanying notes are an integral part of these statements

BALANCE SHEETS
At December 31, 1996 and 1995
Mississippi Power Company 1996 Annual Report

CAPITALIZATION AND LIABILITIES	1996	1995
		(in thousands)
Capitalization (See accompanying statements):		
Common stock equity	$ 383,734	$ 374,884
Preferred stock	74,414	74,414
Long-term debt	326,379	288,820
Total	784,527	738,118
Current Liabilities:		
Long-term debt due within one year (Note 10)	10	57,229
Accounts payable-		
Affiliated companies	4,136	13,646
Regulatory clauses over recovery	8,788	5,381
Other	38,720	31,748
Customer deposits	3,154	2,716
Taxes accrued-		
Federal and state income	-	97
Other	32,445	31,816
Interest accrued	4,384	4,701
Miscellaneous	13,942	13,453
Total	105,579	160,787
Deferred Credits and Other Liabilities:		
Accumulated deferred income taxes (Note 8)	133,437	129,711
Accumulated deferred investment tax credits	28,333	29,773
Deferred credits related to income taxes (Note 8)	40,568	43,266
Postretirement benefits	21,850	20,800
Accumulated provision for property damage (Note 1)	12,955	12,018
Miscellaneous	15,078	14,480
Total	252,221	250,048
Commitments and Contingent Matters (Notes 2, 3, 4, and 5)		
Total Capitalization and Liabilities	$ 1,142,327	$ 1,148,953

The accompanying notes are an integral part of these statements

STATEMENTS OF CAPITALIZATION

At December 31, 1996 and 1995

Mississippi Power Company 1996 Annual Report

		1996	1995	1996	1995
		(In thousands)		*(percent of total)*	
Common Stock Equity:					
Common stock, without par value --					
Authorized -- 1,130,000 shares					
Outstanding -- 1,121,000 shares in 1996 and 1995		$ 37,691	$ 37,691		
Paid-in capital		179,389	179,362		
Premium on preferred stock		372	372		
Retained earnings (Note 11)		166,282	157,459		
Total common stock equity		383,734	374,884	48.9 %	50.8 %
Cumulative Preferred Stock:					
$100 par value --					
Authorized -- 1,244,139 shares					
Outstanding -- 744,139 shares in 1996 and 1995					
4.40%		4,000	4,000		
4.60%		2,010	2,010		
4.72%		5,000	5,000		
6.32%		15,000	15,000		
6.65%		8,404	8,404		
7.00%		5,000	5,000		
7.25%		35,000	35,000		
Total (annual dividend requirement -- $4,899,000)		74,414	74,414	9.5	10.1
Long-Term Debt:					
First mortgage bonds --					
Maturity	Interest Rates				
March 1, 1998	5 3/8%	35,000	35,000		
August 1, 2000	6 5/8%	40,000	40,000		
March 1, 2004	6.60%	35,000	35,000		
May 1, 2021	9 1/4%	-	45,447		
June 1, 2023	7.45%	35,000	35,000		
December 1, 2025	6 7/8%	30,000	30,000		
Total first mortgage bonds		175,000	220,447		
Pollution control obligations (Note 9)		73,735	73,745		
Other long-term debt (Note 9)		80,000	55,000		
Unamortized debt premium (discount), net		(2,346)	(3,143)		
Total long-term debt (annual interest requirement--$19,837,000)		326,389	346,049		
Less amount due within one year (Note 10)		10	57,229		
Long-term debt excluding amount due within one year		326,379	288,820	41.6	39.1
Total Capitalization		$ 784,527	$ 738,118	100.0 %	100.0 %

The accompanying notes are an integral part of these statements

STATEMENTS OF RETAINED EARNINGS

For the Years Ended December 31, 1996, 1995, and 1994
Mississippi Power Company 1996 Annual Report

	1996	1995	1994
		(in thousands)	
Balance at Beginning of Period	$ 157,459	$ 144,328	$ 129,343
Net income after dividends on preferred stock	52,723	52,531	49,157
Cash dividends on common stock	(43,900)	(39,400)	(34,100)
Preferred stock transactions and other, net	-	-	(72)
Balance at End of Period (Note 11)	$ 166,282	$ 157,459	$ 144,328

STATEMENTS OF PAID-IN CAPITAL

For the Years Ended December 31, 1996, 1995, and 1994

	1996	1995	1994
		(in thousands)	
Balance at Beginning of Period	$ 179,362	$ 179,362	$ 154,362
Contributions to capital by parent company	27	-	25,000
Balance at End of Period	$ 179,389	$ 179,362	$ 179,362

The accompanying notes are an integral part of these statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General

Mississippi Power Company is a wholly owned subsidiary of Southern Company, which is the parent company of five operating companies, Southern Company Services (SCS), Southern Communications Services (Southern Communications), Southern Energy, Inc. (Southern Energy), Southern Nuclear Operating Company (Southern Nuclear), and The Southern Development and Investment Group (Southern Development), and other direct and indirect subsidiaries. The operating companies (Alabama Power Company, Georgia Power Company, Gulf Power Company, Mississippi Power Company, and Savannah Electric and Power Company) provide electric service in four southeastern states. Contracts among the companies--dealing with jointly owned generating facilities, interconnecting transmission lines, and the exchange of electric power--are regulated by the Federal Energy Regulatory Commission (FERC) or the Securities and Exchange Commission. SCS provides, at cost, specialized services to Southern Company and to the subsidiary companies. Southern Communications provides digital wireless communications services to the operating companies and also markets these services to the public within the Southeast. Southern Energy designs, builds, owns, and operates power production and delivery facilities and provides a broad range of energy related services in the United States and international markets. Southern Nuclear provides services to Southern Company's nuclear power plants. Southern Development develops new business opportunities related to energy products and services.

Southern Company is registered as a holding company under the Public Utility Holding Company Act of 1935 (PUHCA). Both Southern Company and its subsidiaries are subject to the regulatory provisions of the PUHCA. Mississippi Power is also subject to regulation by the FERC and the Mississippi Public Service Commission (MPSC). The Company follows generally accepted accounting principles and complies with the accounting policies and practices prescribed by the respective commissions. The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and the actual results may differ from those estimates.

Certain prior years' data presented in the financial statements have been reclassified to conform with current year presentation.

Regulatory Assets and Liabilities

Mississippi Power is subject to the provisions of Financial Accounting Standards Board (FASB) Statement No. 71, Accounting for the Effects of Certain Types of Regulation. Regulatory assets represent probable future revenues to the Company associated with certain costs that are expected to be recovered from customers through the ratemaking process. Regulatory liabilities represent probable future reductions in revenues associated with amounts that are to be credited to customers through the ratemaking process. Regulatory assets and (liabilities) reflected in the Balance Sheets as of December 31 relate to:

	1996	1995
	(in thousands)	
Deferred income taxes	$22,274	$23,384
Vacation pay	3,806	4,715
Work force reduction costs	1,991	7,286
Deferred fuel charges	-	1,546
Premium on reacquired debt	10,672	8,509
Deferred environmental costs	1,679	1,713
Property damage reserve	(12,955)	(12,018)
Deferred income tax credits	(40,568)	(43,266)
Other, net	(2,882)	(2,658)
Total	$(14,983)	$(10,789)

In the event that a portion of the Company's operations is no longer subject to the provisions of Statement No. 71, the Company would be required to write off the related regulatory assets and liabilities. In addition, the Company would be required to determine any impairment to other assets, including plant, and, if impaired, to write down the assets to their fair value.

Revenues

Mississippi Power accrues revenues for service rendered but unbilled at the end of each fiscal period. The Company's retail and wholesale rates include provisions to adjust billings for fluctuations in fuel and the energy component of purchased power. Retail rates also include provisions to adjust billings for fluctuations in costs for ad valorem taxes and certain qualifying environmental costs.

Revenues are adjusted for differences between actual allowable amounts and the amounts included in rates.

The Company has a diversified base of customers. No single customer or industry comprises 10 percent or more of revenues. In 1996, uncollectible accounts continued to average less than 1 percent of revenues.

Depreciation

Depreciation of the original cost of depreciable utility plant in service is provided by using composite straight-line rates which approximated 3.3 percent in 1996, and 3.2 percent in both 1995 and 1994. When property subject to depreciation is retired or otherwise disposed of in the normal course of business, its cost -- together with the cost of removal, less salvage -- is charged to the accumulated provision for depreciation. Minor items of property included in the original cost of the plant are retired when the related property unit is retired. Depreciation expense includes an amount for the expected cost of removal of facilities.

Income Taxes

Mississippi Power uses the liability method of accounting for deferred income taxes and provides deferred income taxes for all significant income tax temporary differences. Investment tax credits utilized are deferred and amortized to income over the average lives of the related property.

Allowance for Funds Used During Construction (AFUDC)

AFUDC represents the estimated debt and equity costs of capital funds that are necessary to finance the construction of new facilities. While cash is not realized currently from such allowance, it increases the revenue requirement over the service life of the plant through a higher rate base and higher depreciation expense. The composite rates used to capitalize the cost of funds devoted to construction were 7.5 percent in 1996, 8.0 percent in 1995, and 6.9 percent in 1994. AFUDC (net of income taxes), as a percent of net income after dividends on preferred stock, was 1.5 percent in 1996, 1.2 percent in 1995, and 3.5 percent in 1994.

Utility Plant

Utility plant is stated at original cost. This cost includes materials, labor, minor items of property, appropriate administrative and general costs, payroll-related costs such as taxes, pensions, and other benefits, and the estimated cost of funds used during construction. The cost of maintenance, repairs, and replacement of minor items of property is charged to maintenance expense except for the maintenance of coal cars and a portion of the railway track maintenance, which are charged to fuel stock. The cost of replacements of property (exclusive of minor items of property) is charged to utility plant.

Cash and Cash Equivalents

For purposes of the Statements of Cash Flows, temporary cash investments are considered cash equivalents. Temporary cash investments are securities with original maturities of 90 days or less.

Financial Instruments

In accordance with FASB Statement No. 107, Disclosure About Fair Value of Financial Instruments, all financial instruments of the Company for which the carrying amount does not approximate fair value, must be disclosed. At December 31, 1996, the fair value of long-term debt was $324 million and the carrying amount was $326 million. At December 31, 1995, the fair value of long-term debt was $355 million and the carrying amount was $346 million. The fair value for long-term debt was based on either closing market price or closing price of comparable instruments.

Materials and Supplies

Generally, materials and supplies include the cost of transmission, distribution and generating plant materials. Materials are charged to inventory when purchased and then expensed or capitalized to plant, as appropriate, when used or installed.

Provision for Property Damage

Mississippi Power is self-insured for the cost of storm, fire and other uninsured casualty damage to its property, including transmission and distribution facilities. As permitted by regulatory authorities, the Company provided for such costs by charges to income of $1.5 million in both 1996 and 1995 and $1.1 million in 1994. The cost of repairing damage resulting from such events that individually exceed $50 thousand is charged to the accumulated provision to the extent it is available. Effective January 1995, regulatory treatment by the MPSC allowed a maximum accumulated provision of $18 million. As of December 31, 1996, the accumulated provision amounted to $13.0 million.

2. RETIREMENT BENEFITS

Pension Plan

Mississippi Power has a defined benefit, trusteed, non-contributory pension plan that covers substantially all regular employees. Benefits are based on one of the following formulas: years of service and final average pay or years of service and a flat-dollar benefit. The Company uses the "entry age normal method with a frozen initial liability" actuarial method for funding purposes, subject to limitations under federal income tax regulations. Amounts funded to the pension trust are primarily invested in equity and fixed-income securities. FASB Statement No. 87, Employers' Accounting for Pensions, requires use of the "projected unit credit" actuarial method for financial reporting purposes.

Postretirement Benefits

Mississippi Power also provides certain medical care and life insurance benefits for retired employees. Substantially all employees may become eligible for these benefits when they retire. Trusts are funded to the extent required by the Company's regulatory commissions. Amounts funded are primarily invested in debt and equity securities.

FASB Statement No. 106, Employers' Accounting for Postretirement Benefits Other Than Pensions, requires that medical care and life insurance benefits for retired employees be accounted for on an accrual basis using a specified actuarial method, "benefit/years-of-service." The cost of postretirement benefits is reflected in rates on a current basis.

Funded Status and Cost of Benefits

The following tables show actuarial results and assumptions for pension and postretirement benefits as computed under the requirements of FASB Statement Nos. 87 and 106, respectively. The funded status of the plans at December 31 was as follows:

	Pension	
	1996	1995
	(in thousands)	
Actuarial present value of benefit obligation:		
Vested benefits	$92,091	$91,322
Non-vested benefits	5,191	4,264
Accumulated benefit obligation	97,282	95,586
Additional amounts related to projected salary increases	30,552	28,545
Projected benefit obligation	127,834	124,131
Less:		
Fair value of plan assets	179,658	170,481
Unrecognized net gain	(56,674)	(47,034)
Unrecognized prior service cost	6,422	2,868
Unrecognized transition asset	(5,449)	(6,001)
Accrued liability recognized in the Balance Sheets	$ 3,877	$ 3,817

	Postretirement Benefits	
	1996	1995
	(in thousands)	
Actuarial present value of benefit obligation		
Retirees and dependents	$20,841	$22,575
Employees eligible to retire	2,703	1,709
Other employees	17,564	17,908
Accumulated benefit obligation	41,108	42,192
Less:		
Fair value of plan assets	10,210	8,700
Unrecognized net loss	1,136	4,160
Unrecognized transition obligation	5,911	7,044
Accrued liability recognized in the Balance Sheets	$23,851	$22,288

In 1995, Southern Company's subsidiaries announced a cost sharing program for postretirement benefits. The program established limits on amounts the companies will pay to provide future retiree postretirement benefits. This change reduced the Company's 1995 accumulated postretirement benefit obligation by approximately $10.5 million.

The weighted average rates assumed in the above actuarial calculations were:

	1996	1995	1994
Discount	7.8%	7.3%	8.0%
Annual salary increase	5.3	4.8	5.5
Long-term return on plan assets	8.5	8.5	8.5

An additional assumption used in measuring the accumulated postretirement benefit obligation was a weighted average medical care cost trend rate of 9.3 percent for 1996, decreasing gradually to 5.8 percent through the year 2005 and remaining at that level thereafter. An annual increase in the assumed medical care cost trend rate of 1 percent would increase the accumulated benefit obligation as of December 31, 1996, by $3.2 million and the aggregate of the service and interest cost components of the net retiree cost by $0.3 million.

Components of the plans' net cost are shown below:

	Pension		
	1996	1995	1994
	(in thousands)		
Benefits earned during the year	$ 3,842	$ 3,636	$ 3,780
Interest cost on projected benefit obligation	9,310	8,434	7,503
Actual (return) loss on plan assets	(20,438)	(32,232)	3,244
Net amortization and deferral	6,442	18,650	(16,048)
Net pension income	$ (844)	$ (1,512)	$ (1,521)

Of the above net pension income, $(0.6) million in 1996, and $(1.1) million in both 1995 and 1994 were recorded in operating expenses, and the remainder was recorded in construction and other accounts.

	Postretirement Benefits		
	1996	1995	1994
	(in thousands)		
Benefits earned during the year	$ 958	$1,525	$1,760
Interest cost on accumulated benefit obligation	2,830	3,442	3,251
Amortization of transition obligation over 20 years	362	1,027	1,043
Actual (return) loss on plan assets	(990)	(1,436)	132
Net amortization and deferral	312	851	(575)
Net postretirement costs	$3,472	$5,409	$5,611

Of the above net postretirement costs recorded, $2.8 million in 1996, $3.9 million in 1995, and $4.4 million in 1994 were recorded in operating expenses, and the remainder was recorded in construction and other accounts.

Work Force Reduction Programs

During 1994, Mississippi Power and SCS instituted work force reduction programs. The costs of the SCS work force reduction program were apportioned among the various entities that form the Southern electric system, with the Company's portion amounting to $1.4 million. The Company instituted an early retirement incentive program in April 1994 and deferred the related costs of approximately $12.9 million. The Company received authority from the MPSC to defer these costs, as well as its portion of the costs of the SCS program, and to amortize over a period not to exceed 60 months, beginning no later than January 1995. The Company expensed $5.3 million, $4.0 million and $3.0 million of the cost of these programs in 1996, 1995 and 1994, respectively. In 1996, Mississippi Power expensed its pro-rata share of the costs for affiliated companies' programs of $1.9 million.

3. LITIGATION AND REGULATORY MATTERS

Retail Rate Adjustment Plans

Mississippi Power's retail base rates are set under a Performance Evaluation Plan (PEP). In January 1994, the MPSC approved PEP-2. PEP-2 was designed with the MPSC objectives that the plan would reduce the impact of rate changes on the customer and provide incentives for Mississippi Power to keep customer prices low. PEP-2 includes a mechanism for sharing rate adjustments based on the Company's ability to maintain low rates for customers

and on the Company's performance as measured by three indicators that emphasize price and service to the customer PEP-2 provides for semiannual evaluations of Mississippi's performance-based return on investment. Any change in rates is limited to 2 percent of retail revenues per evaluation period PEP-2 will remain in effect until the MPSC modifies or terminates the plan. During 1995 and 1994, there were no changes under PEP-2. In September 1996, the MPSC under PEP-2 approved a retail revenue increase of $4.5 million (1.06 percent of annual retail revenue) which became effective in October 1996

FERC Reviews Equity Returns

In May 1991, the FERC ordered that hearings be conducted concerning the reasonableness of the operating companies' wholesale rate schedules and contracts that have a return on equity of 13.75 percent or greater. The contracts that could be affected by the hearings include substantially all of the transmission, unit power, long-term power and other similar contracts, including the Company's transmission facilities agreement discussed in Note 5 under "Lease Agreements."

In August 1992, a FERC administrative law judge issued an opinion that changes in rate schedules and contracts were not necessary and that the FERC staff failed to show how any changes were in the public interest. The FERC staff has filed exceptions to the administrative law judge's opinion, and the matter remains pending before the FERC

In August 1994, the FERC instituted another proceeding based on substantially the same issues as in the 1991 proceeding. In November 1995, a FERC administrative law judge issued an opinion that the FERC staff failed to meet its burden of proof, and therefore, no change in the equity return was necessary. The FERC staff has filed exceptions to the administrative law judge's opinion, and the matter is pending before the FERC

If the rates of return on common equity recommended by the FERC staff were applied to all of the schedules and contracts involved in both proceedings -- as well as certain other contracts that reference these proceedings in determining return on common equity -- and if refunds were ordered, the amount of refunds could range up to approximately $3.4 million for Mississippi Power at December 31, 1996 However, management believes that rates are not excessive, and that refunds are not justified

Environmental Compliance Overview Plan

The MPSC approved Mississippi Power's ECO Plan in 1992 The plan establishes procedures to facilitate the MPSC's overview of the Company's environmental strategy and provides for recovery of costs (including costs of capital) associated with environmental projects approved by the MPSC. In November 1995, the MPSC ordered a change in accounting treatment allowing emission allowance expenses to be recovered through the Company's fuel adjustment clause, and emission allowance inventory costs to be recovered through PEP-2 rather than through the ECO Plan. Under the ECO Plan any increase in the annual revenue requirement is limited to 2 percent of retail revenues. However, the plan also provides for carryover of any amount over the 2 percent limit into the next year's revenue requirement. The ECO Plan had previously resulted in an annual retail rate increase of $3.7 million, effective in May 1995 which included $1.6 million of 1994 carryover and an annual retail rate increase of $7.6 million, effective in April 1994. The Company's 1996 annual filing under the ECO Plan resulted in a $3.0 million decrease in retail rates, effective in April 1996. On January 31, 1997, the Company filed with the MPSC under the ECO Plan a request for an annual retail rate increase of $0.9 million

Mississippi Power conducts studies, when possible, to determine the extent of any required clean-up costs Should remediation be determined to be probable, reasonable estimates of costs to clean up such sites are developed and recognized in the financial statements. A currently owned site where manufactured gas plant operations were located prior to the Company's ownership is being investigated for potential remediation. The remedial investigation is near completion and is being conducted in conjunction with the Mississippi Department of Environmental Quality. In recognition of probable further study and remediation, the Company in 1995 recorded a liability and a deferred debit (regulatory asset) of $1.8 million, including feasibility study costs. The Company recognizes such costs as they are incurred and recovers them under the ECO Plan as provided in the Company's 1995 ECO order. As of December 31, 1996, the balance in the liability and regulatory asset accounts was $1.7 million, including additional feasibility study costs. If this site were required to be remediated, industry studies show the Company could incur cleanup costs ranging from $1.5 million to $10 million before giving consideration to possible recovery of clean-up costs from other parties

4. CONSTRUCTION PROGRAM

Mississippi Power is engaged in continuous construction programs, the costs of which are currently estimated to total $57 million in 1997, $58 million in 1998, and $116 million in 1999.

The construction program is subject to periodic review and revision, and actual construction costs may vary from the above estimates because of numerous factors. These factors include changes in business conditions; revised load growth estimates; changes in environmental regulations; increasing costs of labor, equipment, and materials; and cost of capital. The Company does not currently have any new generating plants under construction. However, significant construction will continue related to transmission and distribution facilities, the upgrading of generating plants, and the possible addition of a combined cycle unit.

5. FINANCING AND COMMITMENTS

Financing

Mississippi Power's construction program is expected to be financed from internal and other sources, such as the issuance of additional long-term debt and preferred stock and the receipt of capital contributions from Southern Company.

The amounts of first mortgage bonds and preferred stock which can be issued in the future will be contingent upon market conditions, adequate earnings levels, regulatory authorizations and other factors.

At December 31, 1996, Mississippi Power had total committed credit agreements with banks for $96.3 million. At year-end 1996, the unused portion of these committed credit agreements was $76.3 million. These credit agreements expire at various dates in 1997 and in 1999. Some of these agreements allow short-term borrowings to be converted into term loans, payable in 12 equal quarterly installments, with the first installment due at the end of the first calendar quarter after the applicable termination date or at an earlier date at the Company's option. In connection with these credit arrangements, the Company agrees to pay commitment fees based on the unused portions of the commitments or to maintain compensating balances with the banks. At December 31, 1996, the Company had no short-term borrowings outstanding.

Assets Subject to Lien

Mississippi Power's mortgage indenture dated as of September 1, 1941, as amended and supplemented, which secures the first mortgage bonds issued by the Company, constitutes a direct first lien on substantially all the Company's fixed property and franchises.

Lease Agreements

In 1984, Mississippi Power and Gulf States Utilities Company (Gulf States) entered into a forty-year transmission facilities agreement whereby Gulf States began paying a use fee to the Company covering all expenses relative to ownership and operation and maintenance of a 500 kV line, including amortization of its original $57 million cost. For the three years ended 1996 use fees collected under this agreement, net of related expenses, amounted to $3.7 million each year, and are included within Other Income, in the Statements of Income.

In 1989, Mississippi Power entered into a twenty-two year lease agreement for the use of 495 aluminum railcars. In 1994, a second lease agreement for the use of 250 additional aluminum railcars was also entered into for twenty-two years. Both of these leases, totaling 745 railcars, were for the transport of coal at Plant Daniel. Gulf Power, as joint owner of Plant Daniel, is responsible for one half of the lease cost. The Company's share (50%) of the leases is charged to fuel inventory and allocated to fuel expense as the fuel is consumed. The lease cost charged to inventory was $1.7 million in both 1996 and 1995, and $1.2 million in 1994. The Company's annual lease payments for 1997 through 2001 will be approximately $1.7 million and after 2001, lease payments total in aggregate approximately $20.7 million. The Company has the option to purchase the 745 railcars at the greater of the termination value or the fair market value, or to renew the leases at the end of the lease term.

Fuel and Purchased Power Commitments

To supply a portion of the fuel requirements of its generating plants, Mississippi Power has entered into various long-term commitments for the procurement of fuel. In most cases, these contracts contain provisions for price escalations, minimum production levels, and other financial commitments.

Total estimated obligations at December 31, 1996 were as follows

Year	Fuel
	(in millions)
1997	$129
1998	127
1999	91
Total commitments	$347

Additional commitments for fuel will be required in the future to supply the Company's fuel needs.

Mississippi Power entered into agreements to purchase summer peaking power and options for power for the years 1996 through 2000. For June through September of 1996, the Company entered into an agreement to buy 242 megawatts of capacity and energy from another electric utility. For each June through September period of 1997 through 2000, the Company has purchased options from power marketers for up to 250 megawatts of peaking power in 1997; 300 megawatts in 1998; 350 megawatts in 1999; and 400 megawatts in 2000. In June 1996, the MPSC approved Mississippi Power's request that it be allowed to earn a return on the capacity portion of these agreements.

6. JOINT OWNERSHIP AGREEMENTS

Mississippi Power and Alabama Power own as tenants in common Greene County Electric Generating Plant (coal) located in Alabama, and Mississippi Power and Gulf Power own as tenants in common Daniel Electric Generating Plant (coal) located in Mississippi. At December 31, 1996, Mississippi Power's percentage ownership and investment in these jointly owned facilities were as follows

Generating Plant	Total Capacity	Percent Ownership	Company's Gross Investment	Accumulated Depreciation
	(Megawatts)		(in thousands)	
Greene County	500	40%	$ 59,102	$ 33,010
Daniel	1,000	50%	221,211	97,910

Mississippi Power's share of plant operating expenses is included in the corresponding operating expenses in the Statements of Income

7. LONG-TERM POWER SALES AGREEMENTS

General

Mississippi Power and the other operating affiliates of Southern Company have long-term contractual agreements for the sale of capacity and energy to certain non-affiliated utilities located outside the system's service area. Some of these agreements (unit power sales) are firm commitments and pertain to capacity related to specific generating units. Mississippi Power's participation in firm production capacity unit power sales ended in 1989. Because the energy is generally sold at cost under these agreements, profitability is primarily affected by revenues from capacity sales. The capacity revenues have been as follows

Year	Unit Power	Other Long-Term	Total
	(in thousands)		
1996	$ -	$ -	$ -
1995	268	-	268
1994	660	1,305	1,965

8. INCOME TAXES

At December 31, 1996, the tax-related regulatory assets and liabilities were $22 million and $41 million, respectively. These assets are attributable to tax benefits flowed through to customers in prior years and to taxes applicable to capitalized AFUDC. These liabilities are attributable to deferred taxes previously recognized at rates higher than current enacted tax law and to unamortized investment tax credits

Details of the federal and state income tax provisions are shown below.

	1996	1995	1994
	(in thousands)		
Total provision for income taxes			
Federal -			
Currently payable	$29,888	$32,546	$26,072
Deferred --current year	13,816	5,122	6,313
--reversal of prior years	(14,913)	(7,039)	(5,161)
	28,791	30,629	27,224
State --			
Currently payable	3,588	3,426	3,978
Deferred --current	4,727	2,270	1,669
--reversal of prior years	(3,556)	(833)	(1,258)
	4,759	4,863	4,389
Total	33,550	35,492	31,613
Less income taxes charged to other income	932	1,006	227
Federal and state income taxes charged to operations	$32,618	$34,486	$31,386

The tax effects of temporary differences between the carrying amounts of assets and liabilities in the financial statements and their respective tax bases, which give rise to deferred tax assets and liabilities are as follows

	1996	1995
	(in thousands)	
Deferred tax liabilities		
Accelerated depreciation	$148,667	$145,093
Basis differences	10,507	10,815
Coal contract buyouts	-	145
Other	19,285	16,478
Total	178,459	172,531
Deferred tax assets:		
Other property basis differences	24,434	25,951
Pension and other benefits	8,750	7,356
Property insurance	4,955	4,551
Unbilled fuel	2,808	3,039
Other	11,302	7,103
Total	52,249	48,000
Net deferred tax liabilities	126,210	124,531
Portion included in current assets, net	7,227	5,180
Accumulated deferred income taxes in the Balance Sheets	$133,437	$129,711

Deferred investment tax credits are amortized over the life of the related property with such amortization normally applied as a credit to reduce depreciation in the Statements of Income. Credits amortized in this manner amounted to $1.4 million in 1996, and $1.5 million in 1995 and 1994. At December 31, 1996, all investment tax credits available to reduce federal income taxes payable had been utilized.

A reconciliation of the federal statutory income tax rate to the effective income tax rate is as follows

	1996	1995	1994
Total effective tax rate	37%	38%	37%
State income tax, net of federal income tax benefit	(3)	(3)	(3)
Tax rate differential	1	-	1
Statutory federal tax rate	35%	35%	35%

Mississippi Power and the subsidiaries of Southern Company file a consolidated federal income tax return. Under

a joint consolidated income tax agreement, each subsidiary's current and deferred tax expense is computed on a stand-alone basis Tax benefits from losses of the parent company are allocated to each subsidiary based on the ratio of taxable income to total consolidated taxable income

9. OTHER LONG-TERM DEBT

Details of pollution control obligations and other long-term debt are as follows:

	December 31, 1996	1995
	(in thousands)	
Obligations incurred in connection with the sale by public authorities of tax-exempt pollution control revenue bonds		
5 80% due 2007	$ 960	$ 970
Variable rate due 2020	6,550	6,550
Variable rate due 2022	16,750	16,750
6 20% due 2023	13,000	13,000
5 65% due 2023	25,875	25,875
Variable due 2025	10,600	10,600
	73,735	73,745
Other long-term debt:		
Variable rates due 1996	-	55,000
Variable rates (5 80797% to 5 88906% at 1/1/97) due 1999	50,000	-
Variable rate due 2000	30,000	-
	80,000	55,000
Total	$153,735	$128,745

Pollution control obligations represent installment or lease purchases of pollution control facilities financed by application of funds derived from sales by public authorities of tax-exempt revenue bonds Mississippi Power has authenticated and delivered to the Trustee a like principal amount of first mortgage bonds as security for obligations under collateralized installment agreements The principal and interest on the first mortgage bonds will be payable only in the event of default under these agreements The 5 80% series of pollution control obligations has a cash sinking fund requirement of $10 thousand for 1997 and $20 thousand annually in 1998, 1999, 2000 and 2001

10. LONG-TERM DEBT DUE WITHIN ONE YEAR

A summary of the improvement fund requirements and scheduled maturities and redemptions of long-term debt due within one year is as follows

	1996	1995
	(in thousands)	
Bond improvement fund requirements	$1,750	$ 2,219
Less		
Portion to be satisfied by certifying property additions	1,750	-
Cash improvement fund requirements	-	2,219
Pollution control bond cash sinking fund requirements (Note 9)	10	10
Current portion of notes payable (Note 9)	-	55,000
Total	$ 10	$57,229

The first mortgage bond improvement fund requirement is one percent of each outstanding series authenticated under the indenture of Mississippi Power prior to January 1 of each year, other than first mortgage bonds issued as collateral security for certain pollution control obligations The requirement must be satisfied by June 1 of each year by depositing cash or reacquiring bonds, or by pledging additional property equal to 166-2/3 percent of such requirement

11. COMMON STOCK DIVIDEND RESTRICTIONS

Mississippi Power's first mortgage bond indenture and the corporate charter contain various common stock dividend restrictions At December 31, 1996, approximately $118 million of retained earnings was restricted against the payment of cash dividends on common stock under the most restrictive terms of the mortgage indenture or corporate charter

12. QUARTERLY FINANCIAL DATA (UNAUDITED)

Summarized quarterly financial data for 1996 and 1995 are as follows

Quarter Ended	Operating Revenues	Operating Income	Net Income After Dividends On Preferred Stock
March 1996	**$126,954**	**$18,074**	**$11,695**
June 1996	**136,749**	**17,691**	**11,400**
September 1996	**156,603**	**27,670**	**21,784**
December 1996	**123,723**	**13,63**	**7,844**
March 1995	$109,572	$15,729	$ 9,269
June 1995	128,504	22,193	14,737
September 1995	157,119	28,517	22,161
December 1995	121,358	12,171	6,364

Mississippi Power's business is influenced by seasonal weather conditions and the timing of rate changes.

SELECTED FINANCIAL AND OPERATING DATA

Mississippi Power Company 1996 Annual Report

	1996	1995	1994
Operating Revenues (in thousands)	$544,029	$516,553	$499,162
Net Income after Dividends on Preferred Stock (in thousands)	$52,723	$52,531	$49,157
Cash Dividends on Common Stock (in thousands)	$43,900	$39,400	$34,100
Return on Average Common Equity (percent)	13.9	14.26	14.38
Total Assets (in thousands)	$1,142,327	$1,148,953	$1,123,711
Gross Property Additions (in thousands)	$61,314	$67,570	$104,014
Capitalization (in thousands):			
Common stock equity	$383,734	$374,884	$361,753
Preferred stock	74,414	74,414	74,414
Preferred stock subject to mandatory redemption	-	-	-
Long-term debt	326,379	288,820	306,522
Total (excluding amounts due within one year)	$784,527	$738,118	$742,689
Capitalization Ratios (percent):			
Common stock equity	48.9	50.8	48.7
Preferred stock	9.5	10.1	10.0
Long-term debt	41.6	39.1	41.3
Total (excluding amounts due within one year)	100.0	100.0	100.0
First Mortgage Bonds (in thousands):			
Issued	-	30,000	35,000
Retired	45,447	1,625	32,628
Preferred Stock (in thousands):			
Issued	-	-	-
Retired	-	-	-
Security Ratings:			
First Mortgage Bonds -			
Moody's	Aa3	Aa3	Aa3
Standard and Poor's	A+	A+	A+
Duff & Phelps	AA-	AA-	A+
Preferred Stock -			
Moody's	a1	a1	a1
Standard and Poor's	A	A	A
Duff & Phelps	A+	A+	A
Customers (year-end):			
Residential	154,630	154,014	152,891
Commercial	30,366	29,903	29,276
Industrial	639	642	650
Other	200	194	189
Total	185,835	184,753	183,006
Employees (year-end)	1,363	1,421	1,535

SELECTED FINANCIAL AND OPERATING DATA

Mississippi Power Company 1996 Annual Report

1993	1992	1991	1990	1989	1988	1987	1986
$474,883	$434,447	$432,386	$446,871	$442,650	$437,939	$455,843	$476,265
$42,436	$36,790	$22,627	$34,176	$38,576	$36,081	$35,200	$33,814
$29,000	$28,000	$28,500	$27,500	$27,000	$27,600	$24,700	$23,700
14.09	13.27	8.17	12.36	14.43	14.03	14.68	15.28
$1,050,334	$791,283	$790,641	$800,026	$786,570	$779,319	$764,068	$767,110
$139,976	$68,189	$53,675	$49,009	$43,916	$54,550	$53,288	$62,488
$321,768	$280,640	$273,855	$279,833	$273,157	$261,473	$252,992	$226,601
74,414	74,414	39,414	39,414	39,414	39,414	39,414	39,414
-	-	-	3,750	4,500	5,250	6,750	8,250
270,391	238,650	204,150	270,724	277,693	287,525	294,811	299,684
$646,573	$593,704	$617,419	$593,721	$594,764	$593,662	$593,967	$573,949
49.8	47.3	44.4	47.1	45.9	44.1	42.6	39.5
11.5	12.5	6.4	7.3	7.4	7.5	7.8	8.3
38.7	40.2	49.2	45.6	46.7	48.4	49.6	52.2
100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
70,000	40,000	50,000	-	-	-	-	35,000
51,300	104,703	-	4,000	3,823	-	29,701	29,250
23,404	35,000	-	-	-	-	-	-
23,404	-	4,118	750	750	1,500	1,500	1,500
A1	A1	A1	A1	A1	A1	A1	A1
A+	A+	A+	A+	A+	A+	A+	A+
A+	A+	A+	A+	A+	5	5	5
a1	a1	a1	a1	a1	a1	a1	a1
A	A	A	A	A	A	A	A
A	A	A	A	A	6	6	6
151,692	150,248	148,978	147,738	147,308	146,750	146,273	145,809
28,648	28,056	27,441	27,134	26,867	26,751	26,342	26,217
570	573	562	574	525	478	438	393
190	189	400	411	404	399	389	363
181,100	179,066	177,381	175,857	175,104	174,378	173,442	172,782
1,586	1,619	1,630	1,842	1,750	1,831	1,898	1,852

	1996	1995	1994
Operating Revenues (in thousands):			
Residential	$137,055	$134,286	$124,257
Commercial	131,734	131,034	124,716
Industrial	141,324	140,947	142,268
Other	4,013	3,914	3,882
Total retail	414,126	410,181	395,123
Sales for resale - non-affiliates	99,596	91,820	88,122
Sales for resale - affiliates	21,830	7,691	9,538
Total revenues from sales of electricity	535,552	509,692	492,783
Other revenues	8,477	6,861	6,379
Total	$544,029	$516,553	$499,162
Kilowatt-Hour Sales (in thousands):			
Residential	2,079,611	2,040,608	1,922,217
Commercial	2,315,860	2,242,163	2,100,625
Industrial	3,960,243	3,813,456	3,847,011
Other	39,297	38,559	38,147
Total retail	8,395,011	8,134,786	7,908,000
Sales for resale - non-affiliates	2,726,993	2,493,519	2,555,914
Sales for resale - affiliates	693,510	243,554	174,342
Total	11,815,514	10,871,859	10,638,256
Average Revenue Per Kilowatt-Hour (cents):			
Residential	6.59	6.58	6.46
Commercial	5.69	5.84	5.94
Industrial	3.57	3.70	3.70
Total retail	4.93	5.04	5.00
Total sales	4.53	4.69	4.63
Residential Average Annual Kilowatt-Hour Use Per Customer	13,469	13,307	12,611
Residential Average Annual Revenue Per Customer	$887.66	$875.69	$815.21
Plant Nameplate Capacity Ratings (year-end) (megawatts)	2,086	2,086	2,086
Maximum Peak-Hour Demand (megawatts):			
Winter	2,030	1,637	1,636
Summer	2,117	2,095	1,874
Annual Load Factor (percent)	80.3	60.0	63.4
Plant Availability - Fossil-Steam (percent)	91.8	92.1	85.4
Source of Energy Supply (percent):			
Coal	70.4	58.0	56.0
Oil and gas	12.0	15.2	10.2
Purchased power -			
From non-affiliates	6.5	2.4	1.2
From affiliates	11.1	24.4	32.6
Total	100.0	100.0	100.0
Total Fuel Economy Data:			
BTU per net kilowatt-hour generated	10,038	10,249	10,295
Cost of fuel per million BTU (cents)	156.08	160.48	165.96
Average cost of fuel per net kilowatt-hour generated (cents)	1.57	1.64	1.71

1993	1992	1991	1990	1989	1988	1987	1986
$118,793	$109,781	$103,820	$102,243	$100,068	$96,711	$98,338	$101,984
115,152	107,131	103,666	103,352	103,403	98,772	98,669	100,521
130,198	117,010	116,972	123,754	128,983	123,038	129,004	134,501
3,760	3,533	5,869	6,078	5,992	5,874	5,723	5,882
367,903	337,455	330,327	335,427	338,446	324,395	331,734	342,888
83,511	80,213	78,826	86,194	82,111	75,525	88,060	107,270
15,519	10,055	18,044	20,157	16,938	33,747	31,278	21,669
466,933	427,723	427,197	441,778	437,495	433,667	451,072	471,827
7,950	6,724	5,189	5,093	5,155	4,272	4,771	4,438
$474,883	$434,447	$432,386	$446,871	$442,650	$437,939	$455,843	$476,265
1,929,835	1,804,858	1,832,266	1,804,838	1,741,855	1,686,722	1,658,327	1,674,407
1,933,685	1,811,042	1,768,441	1,718,074	1,686,302	1,607,988	1,555,044	1,544,899
3,623,543	3,536,634	3,297,247	3,311,460	3,204,208	2,879,457	2,862,632	2,877,026
38,357	38,261	89,375	85,938	87,611	86,049	81,153	81,352
7,525,420	7,190,795	6,987,329	6,920,310	6,719,976	6,260,216	6,157,156	6,177,684
2,544,982	2,687,917	2,706,320	2,883,581	2,798,086	2,280,341	2,615,058	2,382,443
426,919	280,443	617,696	714,365	527,970	1,100,808	955,303	703,461
10,497,321	10,159,155	10,311,345	10,518,256	10,046,032	9,641,365	9,727,517	9,264,588
6.16	6.08	5.67	5.66	5 74	5 73	5 93	6 09
5.96	5.92	5 86	6 02	6 13	6 14	6 35	6 51
3 59	3.31	3 55	3 74	4 03	4 27	4 51	4 68
4.89	4.69	4 73	4 85	5 04	5 18	5 39	5 55
4.45	4.21	4 14	4.20	4 35	4 50	4 64	5 09
12,780	12,066	12,338	12,228	11,842	11,499	11,356	11,498
$786.71	$733.90	$699.11	$692.70	$680 32	$659 30	$673 41	$700 32
2,011	2,011	2,011	1,998	1,998	1,966	1,966	1,966
1,401	1,386	1,267	1,201	1,556	1,284	1,224	1,208
1,872	1,755	1,682	1,724	1,682	1,621	1,548	1,612
60.0	60.8	61.5	59 0	58 8	57 6	59 0	56 8
88.0	92.0	89 8	93 3	94 0	93 0	93 5	93 2
63.5	60.4	64 1	62 6	63 4	86 3	79 4	74 1
7.6	5.8	8 1	14 0	13 5	4 8	5 3	5 1
1.3	1 2	0 7	0 8	0 5	0 4	0 3	2 0
27.6	32.6	27.1	22 6	22 6	8 5	15 0	18 8
100.0	100.0	100.0	100.0	100 0	100 0	100 0	100 0
10,075	9,888	10,142	10,319	10,159	10,220	10,525	10,569
170 13	162.27	177 52	183 27	178 38	185 13	194 46	224 63
1 71	1.60	1 80	1 89	1 81	1 89	2 05	2 37

STATEMENTS OF INCOME
Mississippi Power Company

For the Years Ended December 31, (Thousands of Dollars)	1996	1995	1994
Operating Revenues:			
Revenues	$ 522,199	$ 508,862	$ 489,624
Revenues from affiliates	21,830	7,691	9,538
Total operating revenues	544,029	516,553	499,162
Operating Expenses:			
Operation --			
Fuel	141,532	111,071	102,216
Purchased power from non-affiliates	17,960	6,019	2,711
Purchased power from affiliates	33,745	57,777	68,543
Proceeds from settlement of disputed contracts	-	-	-
Other	106,061	107,296	97,988
Maintenance	47,091	39,627	45,785
Depreciation and amortization	44,906	39,224	35,716
Taxes other than income taxes	43,545	42,443	41,742
Federal and state income taxes	32,618	34,486	31,386
Total operating expenses	466,958	437,943	426,087
Operating Income	77,071	78,610	73,075
Other Income (Expense):			
Allowance for equity funds used during construction	344	366	1,099
Interest income	239	199	87
Other, net	3,801	4,596	2,033
Income taxes applicable to other income	(932)	(1,006)	(227)
Income Before Interest Charges	80,523	82,765	76,067
Interest Charges:			
Interest on long-term debt	19,898	21,898	19,725
Allowance for debt funds used during construction	(713)	(399)	(1,039)
Interest on notes payable	1,416	1,141	1,442
Amortization of debt discount, premium, and expense, net	1,547	1,510	1,479
Other interest charges	753	1,185	404
Net interest charges	22,901	25,335	22,011
Net Income From Continuing Operations	57,622	57,430	54,056
Discontinued Operations:			
Loss from operations of discontinued subsidiary, net of taxes	-	-	-
Loss on disposal of discontinued subsidiary, net of taxes	-	-	-
Net Loss From Discontinued Operations	-	-	-
Net Income	57,622	57,430	54,056
Dividends on Preferred Stock	4,899	4,899	4,899
Net Income After Dividends on Preferred Stock	$ 52,723	$ 52,531	$ 49,157

STATEMENTS OF INCOME
Mississippi Power Company

1993	1992	1991	1990	1989	1988	1987	1986
$ 459,364	$ 424,392	$ 414,342	$ 426,714	$ 425,712	$ 404,192	$ 424,565	$ 454,596
15,519	10,055	18,044	20,157	16,938	33,747	31,278	21,669
474,883	434,447	432,386	446,871	442,650	437,939	455,843	476,265
113,986	96,743	120,485	138,303	133,671	165,912	167,165	183,515
2,198	1,337	851	1,406	1,266	1,257	1,108	4,671
58,019	60,689	45,506	49,547	47,066	19,270	36,114	46,322
-	(189)	(4,205)	-	-	-	-	-
100,381	90,581	86,932	83,730	84,820	83,542	81,331	70,009
44,001	43,165	44,166	33,368	35,658	33,412	33,974	31,368
33,099	32,789	32,147	30,770	28,001	26,610	26,210	30,293
37,145	34,664	35,414	32,709	32,435	29,638	27,882	26,145
22,668	16,378	13,976	17,144	18,387	20,313	23,888	30,881
411,497	376,157	375,272	386,977	381,304	379,954	397,672	423,204
63,386	58,290	57,114	59,894	61,346	57,985	58,171	53,061
1,010	642	728	307	903	850	608	1,030
517	766	1,093	829	1,096	1,030	1,121	864
3,971	5,501	3,845	6,297	6,013	6,399	7,065	8,983
(1,158)	(1,427)	(863)	(1,666)	(1,392)	(1,148)	(2,507)	(3,517)
67,726	63,772	61,917	65,661	67,966	65,116	64,458	60,421
17,688	22,357	23,656	22,221	21,685	22,271	24,139	22,707
(788)	(563)	(584)	(600)	(821)	(595)	(652)	(770)
1,000	362	603	1,142	689	341	558	252
1,262	630	377	359	362	363	388	245
728	339	285	333	566	522	601	283
19,890	23,125	24,337	23,455	22,481	22,902	25,034	22,717
47,836	40,647	37,580	42,206	45,485	42,214	39,424	37,704
-	-	(6,404)	(4,669)	(3,459)	(2,549)	(487)	-
-	-	(5,455)	-	-	-	-	-
-	-	(11,859)	(4,669)	(3,459)	(2,549)	(487)	-
47,836	40,647	25,721	37,537	42,026	39,665	38,937	37,704
5,400	3,857	3,094	3,361	3,450	3,584	3,737	3,890
$ 42,436	$ 36,790	$ 22,627	$ 34,176	$ 38,576	$ 36,081	$ 35,200	$ 33,814

STATEMENTS OF CASH FLOWS
Mississippi Power Company

For the Years Ended December 31, (Thousands of Dollars)	1996	1995	1994
Operating Activities:			
Net income	$ 57,622	$ 57,430	$ 54,056
Adjustments to reconcile net income to net cash provided by operating activities --			
Depreciation and amortization	50,551	51,588	47,827
Deferred income taxes, net	74	(480)	1,563
Deferred investment tax credits, net	-	-	-
Allowance for equity funds used during construction	(344)	(366)	(1,099)
Non-cash proceeds from settlement of disputed contracts	-	-	-
Other, net	9,787	5,704	5,230
Changes in certain current assets and liabilities --			
Receivables, net	5,118	(8,758)	3,066
Inventories	4,973	3,962	(9,856)
Payables	2,077	17,421	(8,754)
Other	292	681	3,334
Net cash provided from operating activities	130,150	127,182	95,367
Investing Activities:			
Gross property additions	(61,314)	(67,570)	(104,014)
Other	(2,258)	(1,697)	(14,087)
Net cash used for investing activities	(63,572)	(69,267)	(118,101)
Financing Activities and Capital Contributions:			
Proceeds:			
Preferred stock	-	-	-
First mortgage bonds	-	30,000	35,000
Pollution control bonds	-	10,600	-
Other long-term debt	80,000	-	85,310
Capital contributions	27	-	25,000
Redemptions:			
Preferred stock	-	-	
First mortgage bonds	(45,447)	(1,625)	(32,628)
Pollution control bonds	(10)	(10)	(10)
Other long-term debt	(55,000)	(40,689)	(9,299)
Notes payable, net	-	-	(40,000)
Payment of preferred stock dividends	(4,899)	(4,899)	(4,899)
Payment of common stock dividends	(43,900)	(39,400)	(34,100)
Miscellaneous	(2,932)	(568)	(1,201)
Net cash provided from (used for) financing activities	(72,161)	(46,591)	23,173
Net Change in Cash and Cash Equivalents	(5,583)	11,324	439
Cash and Cash Equivalents at Beginning of Year	12,641	1,317	878
Cash and Cash Equivalents at End of Year	$ 7,058	$ 12,641	$ 1,317

( ) Denotes use of cash.

STATEMENTS OF CASH FLOWS
Mississippi Power Company

1993	1992	1991	1990	1989	1988	1987	1986
$ 47,836	$ 40,647	$ 25,721	$ 37,537	$ 42,026	$ 39,665	$ 38,[illegible]	37,704
45,660	41,472	41,773	41,079	35,878	34,440	33,971	33,432
5,039	(5,473)	(11,869)	2,756	(294)	(3,053)	10,035	41,059
-	-	(2)	(26)	(38)	571	896	2,442
(1,010)	(642)	(728)	(307)	(903)	(850)	(608)	(1,030)
-	(189)	(4,071)	-	-	-	-	-
3,00[illegible]	8,093	(4,982)	7,257	4,306	3,503	[illegible]965	(14,162)
(4,347)	1,002	35,343	(6,252)	(18,506)	816	12,000	(1,708)
11,119	975	10,518	(8,922)	3,687	283	13,708	(8,499)
4,133	460	(4,949)	(5,552)	1,307	(5,241)	7,487	(14,502)
(8,033)	6,095	11,433	(1,461)	2,172	(2,294)	(9,342)	11,546
103,402	92,440	98,187	66,109	69,635	67,840	109,049	86,282
(139,976)	(68,189)	(53,675)	(49,009)	(43,916)	(54,550)	(53,788)	(62,488)
7,562	4,235	2,148	4,481	1,860	8,368	(1,461)	(61,162)
(132,414)	(63,954)	(51,527)	(44,528)	(42,056)	(46,182)	(54,749)	(123,650)
23,404	35,000	-	-	-	-	-	-
70,000	40,000	50,000	-	-	-	-	35,000
38,875	23,300	-	-	-	-	-	-
-	-	844	-	844	-	130	60,663
30,036	26	-	-	-	-	16,000	400
(23,404)	-	(4,118)	(750)	(750)	(1,500)	(1,500)	(1,500)
(51,300)	(104,703)	-	(4,000)	(3,823)	-	(29,701)	(29,250)
(25,885)	(23,650)	(300)	(288)	(62)	(50)	(50)	(50)
(8,170)	(6,212)	(8,958)	(6,416)	(5,919)	(5,401)	(4,974)	(200)
9,000	26,500	(25,603)	17,146	6,457	6,500	-	-
(5,460)	(3,857)	(3,094)	(3,361)	(3,450)	(3,584)	(3,737)	(3,890)
(29,000)	(28,000)	(28,500)	(27,500)	(27,000)	(27,600)	(24,700)	(23,700)
(5,683)	(7,821)	(839)	2	-	-	(2,696)	(2,929)
22,473	(49,417)	(20,568)	(25,167)	(33,703)	(31,635)	(51,228)	34,544
(6,539)	(20,931)	26,092	(3,586)	(6,124)	(9,977)	3,072	(2,824)
7,417	28,348	2,256	5,842	11,966	21,943	18,871	21,695
$ 878	$ 7,417	$ 28,348	$ 2,256	$ 5,842	$ 11,966	$ 21,943	$ 18,871

BALANCE SHEETS
Mississippi Power Company

At December 31, (Thousands of Dollars)	1996	1995	1994
ASSETS			
Utility Plant:			
Production-fossil	$ 722,183	$ 717,055	$ 705,043
Transmission	241,509	220,038	202,503
Distribution	356,305	335,163	313,345
General	163,878	162,071	164,141
Construction work in progress	35,100	41,210	44,838
Total utility plant	1,518,975	1,475,537	1,429,870
Accumulated provision for depreciation	526,776	499,308	477,098
Total	992,199	976,229	952,772
Less property-related accumulated deferred income taxes	-	-	-
Total	992,199	976,229	952,772
Other Property and Investments:			
Securities received from settlement of disputed contracts	-	-	-
Miscellaneous	3,054	4,160	3,353
Total	3,054	4,160	3,353
Current Assets:			
Cash and cash equivalents	7,058	12,641	1,317
Investment securities	-	-	-
Receivables, net	34,288	39,358	25,424
Accrued utility revenues	12,334	12,382	14,428
Fossil fuel stock, at average cost	12,168	15,666	16,885
Materials and supplies, at average cost	21,083	22,558	25,301
Current portion of deferred fuel commitments	-	1,546	1,068
Prepayments	11,971	7,584	11,189
Vacation pay deferred	4,806	4,715	4,588
Total	103,708	116,450	100,200
Deferred Charges:			
Debt expense, being amortized	1,548	1,530	1,358
Premium on reacquired debt, being amortized	10,672	8,509	9,571
Deferred fuel commitments	-	-	9,000
Deferred charges related to income taxes	22,274	23,384	25,036
Miscellaneous	8,872	18,691	22,421
Total	43,366	52,114	67,386
Total Assets	$ 1,142,327	$ 1,148,953	$ 1,123,711

BALANCE SHEETS
Mississippi Power Company

1993	1992	1991	1990	1989	1988	1987	1986
$ 597,425	$ 576,648	$ 567,588	$ 560,537	$ 547,946	$ 529,742	$ 524,198	$ 509,128
188,375	173,278	162,379	151,949	147,288	134,674	130,963	125,304
295,799	279,335	259,929	247,705	229,238	221,327	207,810	195,042
157,248	151,044	141,564	136,815	133,361	137,333	127,690	114,042
108,063	41,692	33,078	26,816	27,057	35,204	27,755	33,544
1,346,910	1,222,197	1,164,538	1,123,822	1,084,890	1,058,280	1,018,416	977,060
462,725	440,777	415,135	392,440	366,193	348,085	328,761	312,571
884,185	781,420	749,403	731,382	718,697	710,195	689,655	664,489
-	142,338	138,616	139,970	138,071	134,220	127,912	120,990
884,185	639,082	610,787	591,412	580,626	575,975	561,743	543,499
-	-	4,113	-	-	-	-	-
11,289	4,539	3,954	8,631	7,792	8,153	4,122	1,738
11,289	4,539	8,067	8,631	7,792	8,153	4,122	1,738
878	7,417	28,348	2,256	5,842	11,966	21,943	18,871
-	3,622	-	-	-	-	-	-
28,021	20,219	27,152	67,734	58,425	43,246	42,218	48,158
14,897	14,898	12,420	10,797	13,854	10,527	12,371	18,431
11,185	21,341	22,373	29,812	24,788	26,587	29,989	46,067
21,145	22,108	22,051	25,130	21,232	23,120	20,001	17,631
440	1,861	933	1,430	3,017	-	-	-
8,971	5,869	6,137	11,392	12,512	12,341	830	973
4,797	4,651	4,406	3,955	3,910	3,815	3,956	3,559
90,334	101,986	123,820	152,506	143,580	131,602	131,308	153,690
1,103	804	981	824	886	949	1,012	1,212
10,563	10,102	4,676	4,919	5,161	5,404	5,647	2,800
17,520	25,255	31,039	39,020	45,103	50,714	55,889	60,663
25,267	-	-	-	-	-	-	-
10,073	9,515	11,271	2,714	3,422	6,522	4,347	3,508
64,526	15,676	47,967	47,477	54,572	63,589	66,895	68,183
$ 1,050,334	$ 791,283	$ 790,641	$ 800,026	$ 786,570	$ 779,319	$ 764,068	$ 767,110

BALANCE SHEETS
Mississippi Power Company

At December 31, (Thousands of Dollars)	1996	1995	1994
CAPITALIZATION AND LIABILITIES			
Capitalization:			
Common stock	$ 37,691	$ 37,691	$ 37,691
Paid-in capital	179,389	179,362	179,362
Premium on preferred stock	372	372	372
Earnings retained in the business	166,282	157,459	144,328
Total common equity	383,734	374,884	361,753
Preferred stock	74,414	74,414	74,414
Preferred stock subject to mandatory redemption	-	-	-
Long-term debt	326,379	288,820	306,522
Total (excluding amount due within one year)	784,527	738,118	742,689
Current Liabilities:			
Notes payable to banks	-	-	-
Preferred stock due within one year	-	-	-
Long-term debt due within one year	10	57,229	41,199
Accounts payable	51,644	50,775	34,481
Customer deposits	3,154	2,716	2,712
Taxes accrued	32,445	31,913	31,657
Interest accrued	4,384	4,701	4,427
Vacation pay accrued	4,793	4,563	4,588
Miscellaneous	9,149	8,890	10,025
Total	105,579	160,787	129,089
Deferred Credits and Other Liabilities:			
Accumulated deferred income taxes	133,437	129,711	129,505
Accumulated deferred investment tax credits	28,333	29,773	31,228
Deferred credits related to income taxes	40,568	43,266	45,832
Miscellaneous	49,883	47,298	45,368
Total	252,221	250,048	251,933
Total Capitalization and Liabilities	$ 1,142,327	$ 1,148,953	$ 1,123,711

BALANCE SHEETS
Mississippi Power Company

1993	1992	1991	1990	1989	1988	1987	1986
$ 37,691	$ 37,691	$ 37,691	$ 37,691	$ 37,691	$ 37,691	$ 37,691	$ 37,691
154,362	124,326	124,300	124,300	124,300	124,300	124,300	108,300
372	194	194	299	299	299	299	299
129,343	118,429	111,670	117,543	110,867	99,183	90,702	80,311
321,768	280,640	273,855	279,833	273,157	261,473	252,992	226,601
74,414	74,414	39,414	39,414	39,414	39,414	39,414	39,414
-	-	-	3,750	4,500	5,250	6,750	8,250
250,391	238,650	304,150	270,724	277,693	287,525	294,811	299,684
646,573	593,704	617,419	593,721	594,764	593,662	593,967	573,949
40,000	31,000	4,500	30,103	12,957	6,500	-	-
-	-	-	368	368	368	368	368
19,345	8,878	14,650	7,039	10,717	9,789	5,451	34,724
60,928	43,550	38,213	45,763	47,019	46,937	45,659	36,490
2,786	2,976	3,109	3,430	3,906	3,904	3,857	3,720
27,138	32,035	29,609	24,935	23,843	21,130	21,351	29,029
4,237	3,961	4,602	4,315	4,280	4,016	4,474	5,064
4,797	4,651	4,406	3,955	3,910	3,815	3,956	3,559
9,323	10,963	10,236	6,833	7,746	9,347	6,005	5,746
168,554	138,014	109,325	126,741	114,746	105,806	91,121	118,700
124,334	169	4,117	18,992	22,085	24,556	27,411	25,922
32,710	34,242	35,657	37,187	38,752	40,435	41,427	42,183
48,228	-	-	-	-	-	-	-
29,935	25,154	24,123	23,385	16,223	14,860	10,142	6,356
235,207	59,565	63,897	79,564	77,060	79,851	78,980	74,461
$ 1,050,334	$ 791,283	$ 790,641	$ 800,026	$ 786,570	$ 779,319	$ 764,068	$ 767,110

MISSISSIPPI POWER COMPANY

OUTSTANDING SECURITIES AT DECEMBER 31, 1996

First Mortgage Bonds

Series	Amount Issued (Thousands)	Interest Rate	Amount Outstanding (Thousands)	Maturity
1993	$ 35,000	5-3/8%	$ 35,000	3/1/98
1992	40,000	6-5/8%	40,000	8/1/00
1994	35,000	6.60%	35,000	3/1/04
1993	35,000	7.45%	35,000	6/1/23
1995	30,000	6-7/8%	30,000	12/1/25
	$ 175,000		$ 175,000	

Pollution Control Bonds

Series	Amount Issued (Thousands)	Interest Rate	Amount Outstanding (Thousands)	Maturity
1977	$ 1,000	5.80%	$ 960	10/1/07
1992	6,550	Variable	6,550	12/1/20
1992	16,750	Variable	16,750	12/1/22
1993	13,000	6.20%	13,000	4/1/23
1993	25,875	5.65%	25,875	11/1/23
1995	10,600	Variable	10,600	7/1/25
	$ 73,775		$ 73,735	

Preferred Stock

Series	Shares Outstanding	Dividend Rate	Amount Outstanding (Thousands)
1947	20,099	4.60%	$ 2,010
1956	40,000	4.40%	4,000
1965	50,000	4.72%	5,000
1968	50,000	7.00%	5,000
1992	350,000	7.25%	35,000
1993	150,000	6.32%	15,000
1993	84,040	6.65%	8,404
	744,139		$ 74,414

MISSISSIPPI POWER COMPANY

SECURITIES RETIRED DURING 1996

First Mortgage Bonds

Series	Principal Amount (Thousands)	Interest Rate
1991	$ 45,447	9-1/4%

Pollution Control Bonds

Series	Principal Amount (Thousands)	Interest Rate
1977	$ 10	5.80%

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SAVANNAH ELECTRIC AND POWER COMPANY

FINANCIAL SECTION

MANAGEMENT'S REPORT

Savannah Electric and Power Company 1996 Annual Report

The management of Savannah Electric and Power Company has prepared--and is responsible for--the financial statements and related information included in this report. These statements were prepared in accordance with generally accepted accounting principles appropriate in the circumstances and necessarily include amounts that are based on the best estimates and judgments of management. Financial information throughout this annual report is consistent with the financial statements.

The Company maintains a system of internal accounting controls to provide reasonable assurance that assets are safeguarded and that books and records reflect only authorized transactions of the Company. Limitations exist in any system of internal controls, however, based on a recognition that the cost of the system should not exceed its benefits. The Company believes its system of internal accounting controls maintains an appropriate cost/benefit relationship.

The Company's system of internal accounting controls is evaluated on an ongoing basis by the Company's internal audit staff. The Company's independent public accountants also consider certain elements of the internal control system in order to determine their auditing procedures for the purpose of expressing an opinion on the financial statements.

The audit committee of the board of directors, composed of three directors who are not employees, provides a broad overview of management's financial reporting and control functions. Periodically, this committee meets with management, the internal auditors and the independent public accountants to ensure that these groups are fulfilling their obligations and to discuss auditing, internal controls and financial reporting matters. The internal auditors and the independent public accountants have access to the members of the audit committee at any time.

Management believes that its policies and procedures provide reasonable assurance that the Company's operations are conducted according to a high standard of business ethics.

In management's opinion, the financial statements present fairly, in all material respects, the financial position, results of operations, and cash flows of Savannah Electric and Power Company in conformity with generally accepted accounting principles.



Arthur M. Gignilliat, Jr.
President
and Chief Executive Officer



K. R. Willis
Vice-President
Treasurer and Chief Financial Officer

February 12, 1997

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Board of Directors
of Savannah Electric and Power Company:

We have audited the accompanying balance sheets and statements of capitalization of Savannah Electric and Power Company (a Georgia corporation and a wholly owned subsidiary of Southern Company) as of December 31, 1996 and 1995, and the related statements of income, retained earnings, and cash flows for each of the three years in the period ended December 31, 1996. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements (pages II-230 through II-242) referred to above present fairly, in all material respects, the financial position of Savannah Electric and Power Company as of December 31, 1996 and 1995, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 1996, in conformity with generally accepted accounting principles.

Arthur Andersen LLP

Atlanta, Georgia
February 12, 1997

RESULTS OF OPERATIONS

Earnings

Savannah Electric and Power Company's net income after dividends on preferred stock for 1996 totaled $23.9 million, representing a $0.5 million increase over the prior year. This 2.3 percent improvement in earnings over 1995 is principally the result of increased retail energy sales primarily attributable to an increase in the number of customers served.

In 1995, earnings were $23.4 million, representing a $1.3 million (5.8 percent) increase from the prior year. This was primarily due to higher retail energy sales as a result of exceptionally hot summer weather.

Revenues

Total revenues for 1996 were $234.1 million, reflecting a 3.7 percent increase compared to 1995. The following table summarizes revenue increases and decreases compared to prior years:

	Increase (Decrease) From Prior Year		
	1996	1995	1994
	(in thousands)		
Retail --			
Sales growth	$3,679	$ 1,068	$ 7,884
Weather	(2,813)	6,232	(6,589)
Fuel cost recovery and other	12,365	6,177	(9,214)
Total retail	13,231	13,477	(7,919)
Sales for resale--			
Non-affiliates	147	(2,935)	(1,235)
Affiliates	(4,070)	754	4,013
Total sales for resale	(3,923)	(2,181)	2,778
Other operating revenues	(963)	2,648	(1,516)
Total operating revenues	$ 8,345	$13,944	$(6,657)
Percent change	3.7%	6.6%	(3.0)%

Retail revenues increased 6.2 percent in 1996, compared to an increase of 6.7 percent in 1995. The increase in 1996 retail revenues is attributable to an increase in the number of customers served and an increase in fuel cost recovery revenues. Industrial energy sales were lower primarily due to a decrease in the demand of a major customer. Under the Company's fuel cost recovery provisions, fuel revenues--including purchased energy--generally equal fuel expense and have no effect on earnings. The $1.0 million decrease in other operating revenues reflects the elimination of the demand-side management rider in 1995. Revenues from demand-side management riders (included in retail revenues) recovered demand-side management program costs and had little impact on earnings. See Note 3 to the financial statements for further information on the Company's demand-side management programs.

The increase in 1995 retail revenues was attributable to hot summer weather, an increase in the number of customers served, higher demand in the industrial sector, and an increase in fuel cost recovery revenues.

Revenues from sales to utilities outside the service area under long-term contracts consist of capacity and energy components. Capacity revenues reflect the recovery of fixed costs and a return on investment under the contracts. Energy is generally sold at variable cost. Capacity revenues continued to decrease in 1996 primarily as a result of the scheduled decline in megawatts of capacity under contract. The capacity and energy components were as follows:

	1996	1995	1994
	(in thousands)		
Capacity	$ 2	$ 3	$ 448
Energy	1,329	1,250	3,052
Total	$1,331	$1,253	$3,500

Sales to affiliated companies within the Southern electric system vary from year to year depending on demand and the availability and cost of generating resources at each company. These sales have little impact on earnings.

Changes in revenues are influenced heavily by the amount of energy sold each year. Kilowatt-hour sales for 1996 and the percent change by year were as follows:

	KWH	Percent Change		
	1996	1996	1995	1994
	(millions)			
Residential	1,457	3.9%	8.0%	(2.3)%
Commercial	1,141	3.8	5.1	2.9
Industrial	839	(5.5)	11.0	(6.4)
Other	126	0.1	5.4	3.1
Total retail	3,563	1.4	7.7	(1.6)
Sales for resale				
Non-affiliates	91	4.4	(56.5)	(18.4)
Affiliates	42	(34.4)	(31.5)	23.4
Total	3,696	.8%	3.1%	(2.2)%

Expenses

Total operating expenses for 1996 were $195.2 million, reflecting an $7.7 million increase over 1995. Major components of this increase include $5.3 million in purchased power from affiliates and $3.8 million in fuel, partially offset by a $1.2 million reduction in other operation expenses. The increase in purchased power from affiliates was due to an increase in the unit cost of purchased power. The increase in fuel expense was primarily attributable to higher generation and an increase in the unit cost of gas. The reduction in other operation expense primarily resulted from the demand-side management program being discontinued in December 1995.

In 1995, total operating expenses were $187.5 million, reflecting an $11.8 million increase from 1994. This increase includes $6.8 million in fuel, $3.6 million in other operation, $1.1 million in maintenance, and $1.1 million in depreciation and amortization, partially offset by a $2.6 million reduction in purchased power from affiliates. The increase in fuel expense was primarily attributable to the exceptionally hot summer weather, which not only increased generation but also necessitated greater use of more costly gas-fired sources of generation. The increase in other operation expense was due to increased expenses related to demand-side management programs and employee incentive compensation programs. The increase in maintenance expense reflects maintenance performed at Plants Kraft and McIntosh during 1995, and the increase in depreciation and amortization reflects the completion in 1994 of two combustion turbine units.

Fuel and purchased power costs constitute the single largest expense for the Company. The mix of energy supply is determined primarily by system load, the unit cost of fuel consumed and the availability of units.

The amount and sources of energy supply, the average cost of fuel per net kilowatt-hour generated, the average cost of purchased power per net kilowatt-hour, and the total average cost of energy supply were as follows:

	1996	1995	1994
Total energy supply (millions of kilowatt-hours)	3,917	3,908	3,768
Sources of energy supply (percent) --			
Coal	28	24	18
Oil	-	-	1
Gas	3	6	1
Purchased Power	69	70	80
Average cost of fuel per net kilowatt-hour generated (cents) --			
Coal	1.76	1.77	2.19
Oil	5.79	5.14	3.89
Gas	8.89	3.76	5.19
Average cost of purchased power per net kilowatt-hour (cents)	2.25	2.02	1.92
Total average cost of energy supply	2.30	2.07	2.02

Effects of Inflation

The Company is subject to rate regulation and income tax laws that are based on the recovery of historical costs. Therefore, inflation creates an economic loss because the Company is recovering its costs of investments in dollars that have less purchasing power. While the inflation rate has been relatively low in recent years, it continues to have an adverse effect on the Company because of the large investment in long-lived utility plant. Conventional accounting for historical cost does not recognize this economic loss nor the partially offsetting gain that arises through financing facilities with fixed-money obligations such as long-term debt and preferred stock. Any

recognition of inflation by regulatory authorities is reflected in the rate of return allowed.

Future Earnings Potential

The results of operations for the past three years are not necessarily indicative of future earnings potential. The level of future earnings depends on numerous factors ranging from energy sales growth to a less regulated, more competitive environment.

Future earnings in the near term will depend upon growth in energy sales, which is subject to a number of factors. Traditionally, these factors included weather, competition, changes in contracts with neighboring utilities, energy conservation practiced by customers, the elasticity of demand, and the rate of economic growth in the Company's service area. However, the Energy Policy Act of 1992 (Energy Act) is having a dramatic effect on the future of the electric utility industry. The Energy Act promotes energy efficiency, alternative fuel use, and increased competition for electric utilities. The Company is positioning the business to meet the challenge of this major change in the traditional practice of selling electricity. The Energy Act allows independent power producers (IPPs) to access a utility's transmission network to sell electricity to other utilities. This enhances the incentive for IPPs to build cogeneration plants for a utility's large industrial and commercial customers and sell energy generation to other utilities.

Various federal and state initiatives designed to promote wholesale and retail competition, among other things, include proposals that would allow customers to choose their electricity provider. As the initiatives materialize, the structure of the utility industry could radically change. Certain initiatives could result in a change in the ownership and/or operation of generation and transmission facilities. Numerous issues must be resolved, including significant ones relating to transmission pricing and recovery of stranded investments. Being a low-cost producer could provide significant opportunities to increase market share and profitability in markets that evolve with changing regulation. Unless the Company remains a low-cost producer and provides quality service, the Company's retail energy sales growth could be limited, and this could significantly erode earnings.

The Company is subject to the provisions of Financial Accounting Standards Board (FASB) Statement No. 71, Accounting for the Effects of Certain Types of Regulation. In the event that a portion of the Company's operations is no longer subject to these provisions, the Company would be required to write off related regulatory assets and liabilities and determine if any other assets have been impaired. See Note 1 to the financial statements under "Regulatory Assets and Liabilities" for additional information.

Compliance costs related to the Clean Air Act Amendments of 1990 (Clean Air Act) could affect earnings if such costs are not fully recovered. The Clean Air Act is discussed later under "Environmental Matters."

Rates to retail customers served by the Company are regulated by the Georgia Public Service Commission (GPSC). As part of the Company's most recent rate settlement in 1992, it was informally agreed that the Company's earned rate of return on common equity should be 12.95 percent. The Company is currently undergoing an earnings review by the GPSC, and to date, the GPSC has made no determination.

In August 1995, the GPSC ordered the phase out of the Company's demand-side management programs effective December 31, 1995 and the elimination of demand-side management rate riders effective October 1, 1995. In June 1996, the Company refunded to customers approximately $0.3 million which had been overcollected from the rate riders.

FINANCIAL CONDITION

Overview

The principal change in the Company's financial condition in 1996 was the addition of $29 million to utility plant. The funds needed for gross property additions are currently provided from operating activities, principally from earnings and non-cash charges to income such as depreciation and deferred income taxes and from financing activities. See Statements of Cash Flows for additional information.

Capital Structure

As of December 31, 1996, the Company's capital structure consisted of 46.7 percent common equity, 9.5 percent preferred stock and 43.8 percent long-term debt, excluding amounts due within one year. The Company's long-term financial objective for capitalization ratios is to maintain a capital structure of common equity at 48 percent, preferred stock at 10 percent and debt at 42 percent.

In May 1996, the Company issued $20 million of 6.90% first mortgage bonds maturing in 2006 and $10 million of 6.88% term notes maturing in 2001. Maturities and retirements of long-term debt were $29 million in 1996, $29 million in 1995 and $5 million in 1994.

In March 1996, the Company entered into a fifteen year variable rate capital lease agreement with the Savannah Economic Development Authority for a coal ship docking and unloading facility at Plant Kraft.

The composite interest rates and dividend rate for the years 1994 through 1996 as of year-end were as follows:

	1996	1995	1994
Composite interest rates on long-term debt	7.0%	7.5%	8.0%
Preferred stock dividend rate	6.6%	6.6%	6.6%

The Company's current securities ratings are as follows:

	Moody's	Standard & Poor's
First Mortgage Bonds	A1	A+
Preferred Stock	"a2"	A

Capital Requirements for Construction

The Company's projected construction expenditures for the next three years total $72 million ($26 million in 1997, $22 million in 1998, and $24 million in 1999). Actual construction costs may vary from this estimate because of factors such as changes in: business conditions; environmental regulations; load projections; the cost and efficiency of construction labor, equipment and materials; and the cost of capital. In addition, there can be no assurance that costs related to capital expenditures will be fully recovered. The Company does not have any traditional baseload generating plants under construction, and current energy demand forecasts do not require any additional traditional baseload facilities until well into the future. Construction of transmission and distribution facilities and upgrading of generating plants will be continuing.

Other Capital Requirements

In addition to the funds needed for the construction program, approximately $21.6 million will be needed by the end of 1999 for maturities of long-term debt and present sinking fund requirements.

Environmental Matters

In November 1990, the Clean Air Act was signed into law. Title IV of the Clean Air Act--the acid rain compliance provision of the law--impacts the Company and other subsidiaries of Southern Company. Specific reductions in sulfur dioxide and nitrogen oxide emissions from fossil-fired generating plants are required in two phases. Phase I compliance began in 1995 and initially affected 28 generating units of Southern Company. As a result of Southern Company's compliance strategy, an additional 22 generating units, which included four of the Company's units, were brought into compliance with Phase I requirements. Phase II compliance is required in 2000, and all fossil-fired generating plants will be affected.

In 1995, the Environmental Protection Agency (EPA) began issuing annual sulfur dioxide emission allowances through the allowance trading program. An emission allowance is the authority to emit one ton of sulfur dioxide during a calendar year. The sulfur dioxide emission allowance program is expected to minimize the cost of compliance. Southern Company's sulfur dioxide compliance strategy is designed to use allowances as a compliance option.

Southern Company achieved Phase I sulfur dioxide compliance at the affected plants by switching to low-sulfur coal, which required some equipment upgrades. This compliance strategy resulted in unused emission allowances being banked for later use. Construction expenditures for Phase I compliance totaled approximately $2 million for Savannah Electric.

For Phase II sulfur dioxide compliance, Southern Company could use emission allowances, increase fuel switching, and/or install flue gas desulfurization equipment at selected plants. Also, equipment to control nitrogen oxide emissions will be installed on additional system fossil-fired plants as required to meet Phase II limits. Therefore, current compliance strategy could require total Phase II estimated construction expenditures of approximately $4 million for the Company. However, the full impact of Phase II compliance cannot now be determined with certainty, pending the continuing development of a market for emission allowances, the completion of EPA regulations, and the possibility of new emission reduction technologies.

An increase of up to 1 percent in annual revenue requirements from customers could be necessary to fully recover the Company's cost of compliance for both Phase I and Phase II of Title IV of the Clean Air Act. Compliance costs include construction expenditures, increased costs for switching to low-sulfur coal, and costs related to emission allowances.

A significant portion of costs related to the acid rain provision of the Clean Air Act is expected to be recovered through existing ratemaking provisions. However, there can be no assurance that all Clean Air Act costs will be recovered.

The EPA and state environmental regulatory agencies are reviewing and evaluating various matters including: revisions to the ambient air quality standards for ozone and particulate matter; emission control strategies for ozone nonattainment areas, additional controls for hazardous air pollutant emissions; and hazardous waste disposal requirements. The impact of new standards will depend on the development and implementation of applicable regulations.

The Company must comply with other environmental laws and regulations that cover the handling and disposal of hazardous waste. Under these various laws and regulations, the Company could incur substantial costs to clean up properties currently or previously owned. The Company conducts studies to determine the extent of any required cleanup costs and will recognize in the financial statements any costs to clean up known sites.

Several major pieces of environmental legislation are being considered for reauthorization or amendment by Congress. These include the Clean Air Act; the Clean Water Act; the Comprehensive Environmental Response, Compensation, and Liability Act; the Resource Conservation and Recovery Act; the Toxic Substances Control Act; and the Endangered Species Act. Changes to these laws could affect many areas of Southern Company's operations. The full impact of any such changes cannot be determined at this time.

Compliance with possible additional legislation related to global climate change, electromagnetic fields, and other environmental and health concerns could significantly affect Southern Company. The impact of new legislation--if any--will depend on the subsequent development and implementation of applicable regulations. In addition, the potential exists for liability as the result of lawsuits alleging damages caused by electromagnetic fields.

Sources of Capital

At December 31, 1996, the Company had $5.2 million of cash and $20.5 million of unused short-term credit arrangements with banks to meet its short-term cash needs. Revolving credit arrangements of $20 million, which expire December 31, 1998, are also used to meet short-term cash needs and to provide additional interim funding for the Company's construction program. Of the revolving credit arrangements, $15 million remained unused at December 31, 1996.

It is anticipated that the funds required for construction and other purposes, including compliance with environmental regulations, will be derived from operations and the sale of additional first mortgage bonds and preferred stock and capital contributions from Southern Company. The Company is required to meet certain earnings coverage requirements specified in its mortgage indenture and corporate charter to issue new first mortgage bonds and preferred stock. The Company's coverage ratios are sufficiently high to permit, at present interest rate levels, any foreseeable security sales. The amount of securities which the Company will be permitted to issue in the future will depend upon market conditions and other factors prevailing at that time.

STATEMENTS OF INCOME

For the Years Ended December 31, 1996, 1995, and 1994
Savannah Electric and Power Company 1996 Annual Report

	1996	1995	1994
		(in thousands)	
Operating Revenues (Notes 1 and 3):			
Revenues	$ 230,944	$ 218,529	$ 205,339
Revenues from affiliates	3,130	7,200	6,446
Total operating revenue..	234,074	225,729	211,785
Operating Expenses:			
Operation --			
Fuel	29,139	25,386	18,555
Purchased power from non-affiliates	2,350	2,139	1,839
Purchased power from affiliates	58,591	53,252	55,822
Other	44,007	45,214	41,623
Maintenance	14,140	13,668	12,560
Depreciation and amortization (Note 1)	19,113	18,949	17,854
Taxes other than income taxes	11,675	11,465	11,074
Federal and state income taxes (Notes 1 and 6)	16,175	17,378	16,289
Total operating expenses	195,190	187,451	175,616
Operating Income	38,884	38,278	36,169
Other Income (Expense):			
Allowance for equity funds used during construction (Note 1)	317	163	831
Interest income	201	164	51
Other, net	(1,756)	(618)	(1,032)
Income taxes applicable to other income (Notes 1 and 6)	1,034	651	864
Income Before Interest Charges	38,680	38,638	36,886
Interest Charges:			
Interest on long-term debt	11,563	12,380	12,585
Allowance for debt funds used during construction (Note 1)	(333)	(450)	(1,225)
Interest on notes payable	229	135	205
Amortization of debt discount, premium, and expense, net	579	448	550
Other interest charges	378	406	337
Net interest charges	12,416	12,919	12,452
Net Income	26,264	25,719	24,434
Dividends on Preferred Stock	2,324	2,324	2,324
Net Income After Dividends on Preferred Stock	$ 23,940	$ 23,395	$ 22,110

STATEMENTS OF RETAINED EARNINGS

For the Years Ended December 31, 1996, 1995, and 1994

	1996	1995	1994
		(in thousands)	
Balance at Beginning of Period	$ 105,033	$ 99,216	$ 93,479
Net income after dividends on preferred stock	23,940	23,395	22,110
Cash dividends on common stock	(19,600)	(17,600)	(16,300)
Preferred stock transactions, net	-	22	(73)
Balance at End of Period (Note 10)	$ 109,373	$ 105,033	$ 99,216

The accompanying notes are an integral part of these statements.

STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 1996, 1995, and 1994
Savannah Electric and Power Company 1996 Annual Report

	1996	1995	1994
		(in thousands)	
Operating Activities:			
Net income	$ 26,264	$ 25,719	$ 24,434
Adjustments to reconcile net income to net cash provided by operating activities --			
Depreciation and amortization	20,246	20,535	19,353
Deferred income taxes and investment tax credits	7,482	4,359	1,625
Allowance for equity funds used during construction	(317)	(163)	(831)
Other, net	705	35	826
Changes in certain current assets and liabilities --			
Receivables, net	(641)	(6,241)	18,481
Inventories	410	2,318	1,144
Payables	4,242	2,213	(19,957)
Other	(5,953)	(1,848)	(117)
Net cash provided from operating activities	52,438	46,927	44,958
Investing Activities:			
Gross property additions	(28,950)	(26,503)	(30,078)
Other	(3,173)	3,198	(841)
Net cash used for investing activities	(32,123)	(23,305)	(30,919)
Financing Activities and Capital Contributions:			
Proceeds:			
First mortgage bonds	20,000	15,000	-
Other long-term debt	17,000	33,500	8,500
Retirements:			
First mortgage bonds	(29,400)	(29,250)	(5,065)
Other long-term debt	(397)	(23,003)	(823)
Notes payable, net	1,000	1,500	(500)
Payment of preferred stock dividends	(2,324)	(2,324)	(2,129)
Payment of common stock dividends	(19,600)	(17,600)	(16,300)
Miscellaneous	(2,257)	(2,131)	(74)
Net cash used for financing activities	(15,978)	(24,308)	(16,391)
Net Increase (Decrease) in Cash and Cash Equivalents	4,337	(686)	(2,352)
Cash and Cash Equivalents at Beginning of Year	877	1,563	3,915
Cash and Cash Equivalents at End of Year	$ 5,214	$ 877	$ 1,563
Supplemental Cash Flow Information:			
Cash paid during the year for-			
Interest (net of amount capitalized)	$12,960	$12,775	$11,579
Income taxes	10,926	11,316	14,441

( ) Denotes use of cash
The accompanying notes are an integral part of these statements

BALANCE SHEETS

At December 31, 1996 and 1995

Savannah Electric and Power Company 1996 Annual Report

Assets	1996	1995
		(In thousands)
Utility Plant:		
Plant in service, at original cost (Notes 1, 4, 5, and 8)	$ 739,461	$ 715,146
Less accumulated provision for depreciation	304,760	287,004
	434,701	428,142
Construction work in progress	13,463	6,707
Total	448,164	434,849
Other Property and Investments	1,785	1,788
Current Assets:		
Cash and cash equivalents	5,214	877
Special deposits	1,395	-
Receivables-		
Customer accounts receivable	18,827	19,574
Other accounts and notes receivable	769	7,251
Affiliated companies	844	614
Accumulated provision for uncollectible accounts	(632)	(983)
Fuel cost under recovery	7,289	-
Fossil fuel stock, at average cost	5,892	6,076
Materials and supplies, at average cost (Note 1)	8,013	8,239
Prepayments	6,135	6,467
Total	53,746	48,115
Deferred Charges:		
Deferred charges related to income taxes (Note 6)	19,167	21,557
Premium on reacquired debt, being amortized	7,142	5,316
Cash surrender value of life insurance for deferred compensation plans	10,288	8,560
Miscellaneous	2,003	4,477
Total	38,600	39,910
Total Assets	$ 542,295	$ 524,662

The accompanying notes are an integral part of these statements.

BALANCE SHEETS

At December 31, 1996 and 1995

Savannah Electric and Power Company 1996 Annual Report

Capitalization and Liabilities	1996	1995
		(in thousands)
Capitalization (See accompanying statements):		
Common stock equity	**$ 172,284**	$ 167,812
Preferred stock	**35,000**	35,000
Long term debt	**161,801**	153,679
Total	**369,085**	356,491
Current Liabilities:		
Amount of securities due within one year (Note 9)	**637**	1,407
Notes payable (Note 5)	**5,000**	4,000
Accounts payable-		
Affiliated compar es	**6,374**	5,742
Other	**10,201**	5,620
Fuel cost over recovery	**-**	865
Customer deposits	**5,232**	5,054
Taxes accrued-		
Federal and state income	**-**	570
Other	**1,015**	1,014
Interest accrued	**5,275**	6,331
Vacation pay accrued	**2,038**	1,916
Miscellaneous	**7,470**	5,870
Total	**43,242**	38,389
Deferred Credits and Other Liabilities:		
Accumulated deferred income taxes (Note 6)	**76,654**	74,152
Accumulated deferred investment tax credits (Note 6)	**13,271**	13,934
Deferred credits related to income taxes (Note 6)	**22,792**	24,419
Deferred compensation plans	**8,602**	7,690
Deferred under-funded accrued benefit obligation (Note 2)	**-**	2,123
Postretirement benefits	**5,472**	4,728
Miscellaneous	**3,177**	2,736
Total	**129,968**	129,782
Commitments and Contingent Matters (Notes 1, 2, 4, 5, and 8)		
Total Capitalization and Liabilities	**$ 542,295**	$ 524,662

The accompanying notes are an integral part of these statements.

STATEMENTS OF CAPITALIZATION

At December 31, 1996 and 1995
Savannah Electric and Power Company 1996 Annual Report

		1996	1995	1996	1995
			(in thousands)	(percent of total)	
Common Stock Equity (Notes 2 and 10):					
Common stock, par value $5 per share --					
Authorized -- 16,000,000 shares					
Outstanding -- 10,844,635 shares in					
1996 and 1995		$ 54,223	$ 54,223		
Paid-in capital		8,688	8,688		
Additional minimum liability					
for under-funded pension obligations		-	(132)		
Retained earnings		109,373	105,133		
Total common stock equity		172,284	167,812	46.7 %	47.1 %
Cumulative Preferred Stock (Note 7):					
$25 par value --					
Authorized -- 2,200,000 shares					
6.64% Series -- Outstanding -- 1,400,000 shares		35,000	35,000		
Total (annual dividend requirement -- $2,324,000)		35,000	35,000	9.5	9.8
Long-Term Debt (Note 8):					
First mortgage bonds --					
Maturity	Interest Rates				
July 1, 2003	6 3/8%	20,000	20,000		
May 1, 2006	6.90%	20,000	-		
July 1, 2021	9 3/8%	-	29,400		
July 1, 2022	8.30%	30,000	30,000		
July 1, 2023	7.40%	25,000	25,000		
May 1, 2025	7 7/8%	15,000	15,000		
Total first mortgage bonds		110,000	119,400		
Pollution control obligations (Note 8)		17,955	17,955		
Other long-term debt (Note 8)		37,088	20,485		
Unamortized debt premium (discount), net		(2,605)	(2,754)		
Total long-term debt (annual interest					
requirement -- $11,526,000)		162,438	155,086		
Less amount due within one year (Note 9)		637	1,407		
Long-term debt excluding amount due within one year		161,801	153,679	43.8	43.1
Total Capitalization		$ 369,085	$ 356,491	100.0 %	100.0 %

The accompanying notes are an integral part of these statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General

Savannah Electric and Power Company (the Company), is a wholly owned subsidiary of Southern Company, which is the parent company of five operating companies, a system service company, Southern Communications Services (Southern Communications), Southern Energy, Inc. (Southern Energy), Southern Nuclear Operating Company (Southern Nuclear), The Southern Development and Investment Group (Southern Development) and other direct and indirect subsidiaries. The operating companies provide electric service in four southeastern states. Contracts among the companies--dealing with jointly owned generating facilities, interconnecting transmission lines, and the exchange of electric power--are regulated by the Federal Energy Regulatory Commission (FERC) or the Securities and Exchange Commission. The system service company provides, at cost, specialized services to Southern Company and subsidiary companies. Southern Communications provides digital wireless communications services to the operating companies and also markets these services to the public within the Southeast. Southern Energy designs, builds, owns, and operates power production and delivery facilities and provides a broad range of technical services to industrial companies and utilities in the United States and a number of international markets. Southern Nuclear provides services to Southern Company's nuclear power plants. Southern Development develops new business opportunities related to energy products and services.

Southern Company is registered as a holding company under the Public Utility Holding Company Act of 1935 (PUHCA). Both Southern Company and its subsidiaries are subject to the regulatory provisions of the PUHCA. The Company also is subject to regulation by the FERC and the Georgia Public Service Commission (GPSC). The Company follows generally accepted accounting principles and complies with the accounting policies and practices prescribed by the GPSC. The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates, and the actual results may differ from those estimates.

Certain prior years' data presented in the financial statements have been reclassified to conform with current year presentation.

Regulatory Assets and Liabilities

The Company is subject to the provisions of Financial Accounting Standards Board (FASB) Statement No. 71, Accounting for the Effects of Certain Types of Regulation. Regulatory assets represent probable future revenues to the Company associated with certain costs that are expected to be recovered from customers through the ratemaking process. Regulatory liabilities represent probable future reductions in revenues associated with amounts that are to be credited to customers through the ratemaking process. Regulatory assets and (liabilities) reflected in the Balance Sheets at December 31 relate to:

	1996	1995
	(in thousands)	
Deferred income taxes	$19,167	$21,557
Premium on reacquired debt	7,142	5,316
Deferred income tax credits	(22,792)	(24,419)
Total	$ 3,517	$ 2,454

In the event that a portion of the Company's operations is no longer subject to the provisions of Statement No. 71, the Company would be required to write off related regulatory assets and liabilities. In addition, the Company would be required to determine any impairment to other assets, including plant, and write down the assets, if impaired, to their fair value.

Revenues and Fuel Costs

The Company accrues revenues for service rendered but unbilled at the end of each fiscal period. Fuel costs are expensed as the fuel is used. The Company's electric rates include provisions to adjust billings for fluctuations in fuel and the energy component of purchased power costs and purchased power capacity costs. Revenues are adjusted for differences between recoverable fuel costs and amounts actually recovered in current rates.

The Company has a diversified base of customers. No single customer or industry comprises 10 percent or

more of revenues. In 1996, uncollectible accounts continued to average less than 1 percent of revenues.

Depreciation and Amortization

Depreciation of the original cost of depreciable utility plant in service is provided primarily by using composite straight-line rates, which approximated 2.8 percent in 1996 and 2.9 percent in 1995 and 1994. When property subject to depreciation is retired or otherwise disposed of in the normal course of business, its cost--together with the cost of removal, less salvage--is charged to the accumulated provision for depreciation. Minor items of property included in the original cost of the plant are retired when the related property unit is retired. Depreciation expense includes an amount for the expected cost of removal of certain facilities.

Income Taxes

The Company, which is included in the consolidated federal income tax return filed by Southern Company, uses the liability method of accounting for deferred income taxes and provides deferred income taxes for all significant income tax temporary differences. Investment tax credits utilized are deferred and amortized to income over the average lives of the related property.

Allowance for Funds Used During Construction (AFUDC)

AFUDC represents the estimated debt and equity costs of capital funds that are necessary to finance the construction of new facilities. While cash is not realized currently from such allowance, it increases the revenue requirement over the service life of the plant through a higher rate base and higher depreciation expense. The composite rates used by the Company to calculate AFUDC were 8.69 percent in 1996, 7.42 percent in 1995 and 8.04 percent in 1994.

Utility Plant

Utility plant is stated at original cost, which includes: materials, labor, minor items of property; appropriate administrative and general costs; payroll-related costs such as taxes, pensions, and other benefits; and AFUDC. The cost of maintenance, repairs, and replacement of minor items of property is charged to maintenance expense. The cost of replacements of property (exclusive of minor items of property) is charged to utility plant.

Cash and Cash Equivalents

For purposes of the Statements of Cash Flows, temporary cash investments are considered cash equivalents. Temporary cash investments are securities with original maturities of 90 days or less.

Financial Instruments

The Company's financial instruments for which the carrying amounts did not equal fair value at December 31 were as follows:

	Long-Term Debt	
Year	Carrying Amount	Fair Value
	(in millions)	
1996	**$155**	**$161**
1995	154	165

The fair values for long-term debt were based on either closing market prices or closing prices of comparable instruments.

Materials and Supplies

Generally, materials and supplies include the cost of transmission, distribution, and generating plant materials. Materials are charged to inventory when purchased and then expensed or capitalized to plant, as appropriate, when installed.

Storm Damage Reserve

In December 1995, in response to a request by the Company, the GPSC issued an order allowing the Company to establish a Storm Damage Reserve. As of December 31, 1996, the accumulated provision amounted to $0.9 million. Regulatory treatment by the GPSC allows the Company to accrue up to an additional $0.6 million per year.

2. RETIREMENT BENEFITS

Pension Plan

The Company has a defined benefit, trusteed, non-contributory pension plan that covers substantially all regular employees. Benefits are based on the greater of amounts resulting from two different formulas: years of service and final average pay or years of service and a flat-dollar benefit. The Company uses the "projected unit credit" actuarial method for funding purposes, subject to limitations under federal income tax regulations. Amounts funded to the pension trust are primarily invested in equity and fixed-income securities. FASB Statement No. 87, Employers' Accounting for Pensions, requires use of the "projected unit credit" actuarial method for financial reporting purposes.

Postretirement Benefits

The Company also provides certain medical care and life insurance benefits for retired employees. Substantially all employees may become eligible for these benefits when they retire. Trusts are funded to the extent deductible under federal income tax regulations and to the extent required by the GPSC and the FERC. Amounts funded are primarily invested in debt and equity securities and money market funds.

FASB Statement No. 106, Employers' Accounting for Postretirement Benefits Other Than Pensions, requires that medical care and life insurance benefits for retired employees be accounted for on an accrual basis using a specified actuarial method, "benefit/years-of-service." The cost of postretirement benefits is reflected in rates on a current basis.

Funded Status and Cost of Benefits

The following tables show actuarial results and assumptions for pension and postretirement benefits as computed under the requirements of FASB Statement Nos. 87 and 106, respectively. The funded status of the plans at December 31 was as follows:

	Pension	
	1996	1995
	(in thousands)	
Actuarial present value of benefit obligation:		
Vested benefits	$39,270	$38,169
Non-vested benefits	2,939	2,585
Accumulated benefit obligation	42,209	40,754
Additional amounts related to projected salary increases	7,705	7,786
Projected benefit obligation	49,914	48,540
Less:		
Fair value of plan assets	42,430	36,836
Unrecognized net loss	7,252	9,606
Unrecognized prior service cost	1,240	1,375
Unrecognized net transition obligation	444	532
Adjustment required to recognize additional minimum liability	-	3,727
(Prepaid asset) accrued liability recognized in the Balance Sheets	$ (1,452)	$ 3,918

The weighted average rates assumed in the actuarial calculations for the pension plan were:

	1996	1995	1994
Discount	7.25%	7.25%	8.00%
Annual salary increase	4.75	4.75	5.25
Long-term return on plan assets	8.75	8.75	9.00

In accordance with Statement No. 87, an additional liability related to an under-funded accumulated benefit obligations was reflected at December 31, 1995. A corresponding net-of-tax balance of $0.1 million was recognized as a separate component of Common Stock Equity in the 1995 Statement of Capitalization.

	Postretirement Benefits	
	1996	1995
	(in thousands)	
Actuarial present value of benefit obligation:		
Retirees and dependents	$12,442	$13,560
Employees eligible to retire	1,614	1,471
Other employees	6,464	5,966
Accumulated benefit obligation	20,520	20,997
Less:		
Fair value of plan assets	2,473	1,443
Unrecognized net loss	4,835	5,719
Unrecognized transition obligation	7,900	9,135
Accrued liability recognized in the Balance Sheets	$ 5,312	$ 4,700

In 1995, the Company announced a cost sharing program for postretirement benefits. The program establishes limits on amounts the Company will pay to provide future retiree postretirement benefits. This change reduced the 1995 accumulated postretirement benefit obligation by approximately $3.1 million.

The weighted average rates assumed in the actuarial calculations for the postretirement benefit plans were:

	1996	1995
Discount	7.75%	7.25%
Long-term return on plan assets	8.50	8.50

An additional assumption used in measuring the accumulated postretirement benefit obligation was a weighted average medical care cost trend rate of 9.3 percent for 1996, decreasing gradually to 5.8 percent through the year 2005 and remaining at that level thereafter. An annual increase in the assumed medical care cost trend rate of 1 percent would increase the accumulated benefit obligation at December 31, 1996, by $1.2 million and the aggregate of the service and interest cost components of the net postretirement cost by $0.1 million.

Components of the plans' net costs are shown below:

	Pension		
	1996	1995	1994
	(in thousands)		
Benefits earned during the year	$1,352	$1,188	$1,192
Interest cost on projected benefit obligation	3,389	3,395	3,279
Actual (return) loss on plan assets	(4,852)	(5,791)	27
Net amortization and deferral	2,439	4,125	(1,474)
Net pension cost	$2,328	$2,917	$3,024

Of the above net pension costs, $2.0 million in 1996, $2.4 million in 1995 and $2.6 million in 1994 were recorded in operating expenses, and the remainder was recorded in construction and other accounts.

	Postretirement Benefits		
	1996	1995	1994
	(in thousands)		
Benefits earned during the year	$ 360	$ 504	$ 632
Interest cost on accumulated benefit obligation	1,422	1,638	1,492
Amortization of transition obligation	494	723	723
Actual (return) loss on plan assets	(145)	(34)	6
Net amortization and deferral	187	93	111
Net postretirement costs	$2,318	$2,924	$2,964

Of the above net postretirement costs, $2.0 million in 1996, $2.4 million in 1995 and $2.4 million in 1994 were recorded in operating expenses, and the remainder was recorded in construction and other accounts.

The Company has a supplemental retirement plan for certain executive employees. The plan is unfunded and payable from the general funds of the Company. The Company has purchased life insurance on participating executives, and plans to use these policies to satisfy this obligation. Benefit costs associated with this plan were $0.4 million for 1996, 1995 and 1994.

3. REGULATORY MATTERS

Rates to retail customers served by the Company are regulated by the GPSC. As part of the Company's most recent rate settlement in 1992, it was informally agreed that the Company's earned rate of return on common equity should be 12.95 percent. The Company is currently undergoing an earnings review by the GPSC, and to date, the GPSC has made no determination.

In August 1995, the GPSC ordered the phase out of the Company's demand-side management programs effective December 31, 1995 and the elimination of demand-side management rate riders effective October 1, 1995. In June 1996, the Company refunded to customers approximately $0.3 million which had been overcollected from the rate rider.

4. CONSTRUCTION PROGRAM

The Company is engaged in a continuous construction program, currently estimated to total $26 million in 1997, $22 million in 1998 and $24 million in 1999. The construction program is subject to periodic review and revision, and actual construction costs may vary from the above estimates because of numerous factors. These factors include: changes in business conditions; revised load growth estimates; changes in environmental regulations; increasing cost of labor, equipment and materials, and changes in cost of capital. The Company does not have any traditional baseload generating plants under construction. However, construction related to transmission and distribution facilities and the upgrading and extension of the useful lives of generating plants will continue.

5. FINANCING AND COMMITMENTS

General

To the extent possible, the Company's construction program is expected to be financed from internal sources and from the issuance of additional long-term debt, preferred stock and capital contributions from Southern Company.

The amounts of long-term debt and preferred stock that can be issued in the future will be contingent on market conditions, the maintenance of adequate earnings levels, regulatory authorizations and other factors.

Bank Credit Arrangements

At the end of 1996, unused credit arrangements with five banks totaled $20.5 million and expire at various times during 1997.

The Company's revolving credit arrangements of $20 million, of which $15 million remained unused as of December 31, 1996, expire December 31, 1998. These agreements allow short-term borrowings to be converted into term loans, payable in 12 equal quarterly installments, with the first installment due at the end of the first calendar quarter after the applicable termination date or at an earlier date at the Company's option.

In connection with these credit arrangements, the Company agrees to pay commitment fees based on the unused portions of the commitments.

Assets Subject to Lien

As amended and supplemented, the Company's Indenture of Mortgage, which secures the first mortgage bonds issued by the Company, constitutes a direct first lien on substantially all of the Company's fixed property and franchises. A second lien for $10 million of bank debt is secured by a portion of the Plant Kraft property.

Operating Leases

The Company has rental agreements with various terms and expiration dates. Rental expenses totaled $1.6 million for 1996, $1.3 million for 1995, and $1.5 million for 1994. The Company entered into a 22.5 year lease agreement effective December 1, 1995 for 100 new aluminum rail cars at an annual cost of approximately $0.5 million. The rail cars are used to transport coal to one of the Company's generating plants.

At December 31, 1996, estimated future minimum lease payments for non-cancelable operating leases were as follows:

	Amounts
	(in thousands)
1997	$1,413
1998	1,135
1999	497
2000	485
2001	483
2002 and thereafter	7,935

6. INCOME TAXES

At December 31, 1996, tax-related regulatory assets and liabilities were $19 million and $23 million, respectively. The assets are attributable to tax benefits flowed through to customers in prior years and to taxes applicable to capitalized AFUDC. The liabilities are attributable to deferred taxes previously recognized at rates higher than current enacted tax law and to unamortized investment tax credits.

Details of the federal and state income tax provisions are as follows:

	1996	1995	1994
	(in thousands)		
Total provision for income taxes			
Federal --			
Currently payable	$ 7,084	$10,427	$11,736
Deferred -- current year	8,216	5,290	2,106
-- reversal of prior years	(1,989)	(1,661)	(755)
	13,311	14,056	13,087
State --			
Currently payable	575	1,941	2,064
Deferred -- current year	1,216	695	188
-- reversal of prior years	39	35	86
	1,830	2,671	2,338
Total	15,141	16,727	15,425
Less income taxes credited to other income	(1,034)	(651)	(864)
Total income taxes charged to operations	$16,175	$17,378	$16,289

The tax effects of temporary differences between the carrying amounts of assets and liabilities in the financial statements and their respective tax bases, which give rise to deferred tax assets and liabilities, are as follows:

	1996	1995
Deferred tax liabilities	(in thousands)	
Accelerated depreciation	$67,104	$62,822
Property basis differences	9,550	11,330
Other	5,703	1,511
Total	82,357	75,663
Deferred tax assets		
Pension and other benefits	5,183	3,660
Other	2,186	3,818
Total	7,369	7,478
Net deferred tax liabilities	74,988	68,185
Portions included in current assets, net	1,666	5,967
Accumulated deferred income taxes in the Balance Sheets	$76,654	$74,152

Deferred investment tax credits are amortized over the life of the related property with such amortization normally applied as a credit to reduce depreciation in the Statements of Income. Credits amortized in this manner amounted to $0.7 million in 1996, 1995 and 1994. At

December 31, 1996, all investment tax credits available to reduce federal income taxes payable had been utilized.

A reconciliation of the federal statutory income tax rate to the effective income tax rate is as follows:

	1996	1995	1994
Federal statutory tax rate	35%	35%	35%
State income tax, net of federal income tax benefit	3	4	4
Other	(1)	-	-
Effective income tax rate	37%	39%	39%

Southern Company files a consolidated federal income tax return. Under a joint consolidated income tax agreement, each subsidiary's current and deferred tax expense is computed on a stand-alone basis. Tax benefits from losses of the parent company are allocated to each subsidiary based on the ratio of taxable income to total consolidated taxable income.

7. CUMULATIVE PREFERRED STOCK

The Company has outstanding 1,400,000 shares of 6.64% Series Preferred Stock which has redemption provisions of $26.66 per share plus accrued dividends if redeemed on or prior to November 1, 1998, and redemption provisions of $25 per share plus accrued dividends thereafter. Cumulative preferred stock dividends are preferential to the payment of dividends on common stock.

8. LONG-TERM DEBT

The Company's Indenture related to its First Mortgage Bonds is unlimited as to the authorized amount of bonds which may be issued, provided that required property additions, earnings and other provisions of such Indenture are met.

In May 1996, the Company issued $20 million in 6.90% Series First Mortgage Bonds maturing in 2006 and $10 million of 6.88% term notes maturing in 2001. Using the proceeds from such sales, the Company redeemed in July 1996 all of its remaining outstanding 9 3/8% Series First Mortgage Bonds due July 2021.

The sinking fund requirements of first mortgage bonds were satisfied by cash redemption in 1996 and 1995. The 1997 requirement will be satisfied by certifying property additions. Sinking fund requirements and/or maturities through 2001 applicable to long-term debt are as follows: $0.6 million in 1997; $20.5 million in 1998; $0.5 million in 1999; $0.4 million in 2000; and $10.4 million in 2001.

Details of pollution control obligations and other long-term debt at December 31 are as follows:

	1996	1995
	(in thousands)	
Collateralized obligations incurred in connection with the sale by public authorities of tax-exempt pollution control revenue bonds --		
Variable rate (3.20% at 1/1/97) due 2016	$ 4,085	$ 4,085
6 3/4% due 2022	13,870	13,870
Capital lease obligations --		
Coal unloading facility		
Variable rate (5.60% at 1/1/97)	6,667	-
Transportation fleet	421	485
Notes Payable --		
6.88% due 2001	10,000	-
Variable rate (5.75% at 1/1/97) due 1998	15,000	15,000
Variable rate (5.73% at 1/1/97) due 1998	5,000	5,000
Total	$55,043	$38,440

Assets acquired under capital leases are recorded as utility plant in service, and the related obligation is classified as other long-term debt. Leases are capitalized at the net present value of the future lease payments. However, for ratemaking purposes, these obligations are treated as operating leases, and as such, lease payments are charged to expense as incurred.

In March 1996, the Company entered into a fifteen year variable rate capital lease agreement with the Savannah Economic Development Authority for a coal ship docking and unloading facility at Plant Kraft.

The Company leased combustion turbine generating equipment under a non-cancelable lease that expired in 1995. In December 1995, the Company exercised its option to purchase this equipment. The Company currently leases a portion of its transportation fleet. Under the terms of these leases, the Company is responsible for taxes, insurance and other expenses.

9. LONG-TERM DEBT DUE WITHIN ONE YEAR

A summary of the sinking fund requirements and scheduled maturities and redemptions of long-term debt due within one year at December 31 is as follows:

	1996	1995
	(in thousands)	
Bond sinking fund requirement	$1,100	$1,200
Less:		
Portion to be satisfied by certifying property additions	1,100	-
Cash sinking fund requirement	-	1,200
Other long-term debt maturities (Note 9)	637	207
Total	$ 637	$1,407

The first mortgage bond improvement (sinking) fund requirements amount to 1 percent of each outstanding series of bonds authenticated under the Indenture prior to January 1 of each year, other than those issued to collateralize pollution control and other obligations. The requirements may be satisfied by depositing cash or reacquiring bonds, or by pledging additional property equal to 1 2/3 times the requirements.

10. COMMON STOCK DIVIDEND RESTRICTIONS

The Company's Charter and Indenture contain certain limitations on the payment of cash dividends on preferred and common stocks. At December 31, 1996, approximately $68 million of retained earnings was restricted against the payment of cash dividends on common stock under the terms of the Indenture.

11. QUARTERLY FINANCIAL INFORMATION (Unaudited)

Summarized quarterly financial data for 1996 and 1995 are as follows (in thousands):

Quarter Ended	Operating Revenue	Operating Income	Net Income After Dividends on Preferred Stock
March 1996	**$50,575**	**$ 6,562**	**$ 2,740**
June 1996	**61,906**	**9,786**	**5,859**
September 1996	**73,359**	**16,542**	**12,815**
December 1996	**48,234**	**5,994**	**2,526**
March 1995	$46,743	$ 6,468	$ 2,420
June 1995	57,673	9,920	6,041
September 1995	73,449	16,438	12,693
December 1995	47,864	5,452	2,241

The Company's business is influenced by seasonal weather conditions and a seasonal rate structure, among other factors.

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SELECTED FINANCIAL AND OPERATING DATA

Savannah Electric and Power Company 1996 Annual Report

	1996	1995	1994
Operating Revenues (in thousands)	**$234,074**	$225,729	$211,785
Net Income after Dividends on Preferred and Preference Stocks (in thousands)	**$23,940**	$23,395	$22,110
Cash Dividends on Common Stock (in thousands)	**$19,600**	$17,600	$16,300
Return on Average Common Equity (percent)	**14.08**	14.20	14.00
Total Assets (in thousands)	**$542,295**	$524,662	$518,305
Gross Property Additions (in thousands)	**$28,950**	$26,503	$30,078
Capitalization (in thousands):			
Common stock equity	**$172,284**	$167,812	$161,581
Preferred stock	**35,000**	35,000	35,000
Preferred and preference stock subject to mandatory redemption	**-**	-	-
Long-term debt	**161,801**	153,679	155,922
Total (excluding amounts due within one year)	**$369,085**	$356,491	$352,503
Capitalization Ratios (percent):			
Common stock equity	**46.7**	47.1	45.8
Preferred and preference stock	**9.5**	9.8	9.9
Long-term debt	**43.8**	43.1	44.3
Total (excluding amounts due within one year)	**100.0**	100.0	100.0
First Mortgage Bonds (in thousands):			
Issued	**20,000**	15,000	-
Retired	**29,400**	29,250	5,065
Preferred and Preference Stock (in thousands):			
Issued	**-**	-	-
Retired	**-**	-	-
Security Ratings:			
First Mortgage Bonds -			
Moody's	**A1**	A1	A1
Standard and Poor's	**A+**	A+	A
Preferred Stock -			
Moody's	**"a2"**	"a2"	"a2"
Standard and Poor's	**A**	A	A-
Customers (year-end):			
Residential	**106,657**	104,624	103,199
Commercial	**13,877**	13,339	13,015
Industrial	**65**	65	65
Other	**1,097**	1,048	1,007
Total	**121,696**	119,076	117,286
Employees (year-end)	**571**	584	616

Note
NR = Not Rated

SELECTED FINANCIAL AND OPERATING DATA

Savannah Electric and Power Company 1996 Annual Report

1993	1992	1991	1990	1989	1988	1987	1986
$218,442	$197,761	$189,646	$205,635	$201,799	$182,440	$174,707	$174,847
$21,459	$[illegible],512	$24,030	$26,254	$25,535	$24,272	$22,086	$20,452
$21,000	$22,000	$22,000	$22,000	$20,000	$11,700	$10,741	$9,353
13.73	12.89	15.13	16.85	16.88	17.03	17.03	17.52
$527,187	$352,175	$352,505	$340,050	$349,887	$347,051	$340,109	$341,826
$72,858	$30,132	$19,478	$20,086	$18,831	$23,254	$32,276	$26,800
$154,269	$158,376	$159,841	$157,811	$153,737	$148,683	$136,207	$123,133
35,000	20,000	20,000	20,000	22,300	22,300	2,300	2,300
-	-	-	-	2,884	3,075	9,665	10,256
151,338	110,767	119,280	112,377	117,522	98,285	129,329	137,821
$340,607	$289,143	$299,121	$290,188	$296,443	$272,543	$277,501	$273,510
45.3	54.8	53.4	54.4	51.9	54.6	49.1	47.0
10.3	6.9	6.7	6.9	8.5	9.3	4.3	4.6
44.4	38.3	39.9	38.7	39.6	36.1	46.6	50.4
100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
45,000	30,000	30,000	-	30,000	-	-	25,000
-	38,750	22,500	9,135	18,275	12,231	10,239	10,160
35,000	-	-	-	-	20,000	-	-
20,000	-	-	5,374	6,591	553	588	610
A1	A1	A1	A1	A1	A1	A3	A3
A	A	A	A	A	A-	A-	A-
"a2"	"a2"	"a2"	"a2"	"a2"	"a2"	NR	NR
A-	A-	A-	A-	A-	BBB+	BBB+	BBB+
101,032	99,164	97,446	96,452	94,766	93,486	92,094	89,951
12,702	12,416	12,153	12,045	12,298	12,135	11,812	11,405
69	73	73	76	69	69	67	67
957	940	897	867	850	828	762	731
114,760	112,593	110,569	109,440	107,989	106,518	104,735	102,154
665	688	672	648	643	655	655	658

SELECTED FINANCIAL AND OPERATING DATA (continued)

Savannah Electric and Power Company 1996 Annual Report

	1996	1995	1994
Operating Revenues (in thousands):			
Residential	**$101,607**	$95,208	$8[illegible] 95
Commercial	**80,494**	75,117	71,227
Industrial	**37,077**	36,040	32,906
Other	**8,804**	8,386	7,946
Total retail	**227,982**	214,751	201,274
Sales for resale - non-affiliates	**1,998**	1,851	4,786
Sales for resale - affiliates	**3,130**	7,200	6,446
Total revenues from sales of electricity	**233,110**	223,802	212,506
Other revenues	**964**	1,927	(721)
Total	**$2[illegible],074**	$225,729	$211,785
Kilowatt-Hour Sales (in thousands):			
Residential	**1,456,651**	1,402,148	1,298,122
Commercial	**1,141,218**	1,099,570	1,045,831
Industrial	**838,753**	887,141	799,543
Other	**126,215**	126,057	119,593
Total retail	**3,562,837**	3,514,916	3,263,089
Sales for resale - non-affiliates	**91,610**	87,747	201,716
Sales for resale - affiliates	**41,808**	63,731	93,001
Total	**3,696,255**	3,666,394	3,557,806
Average Revenue Per Kilowatt-Hour (cents):			
Residential	**6.98**	6.79	6.87
Commercial	**7.05**	6 83	6.81
Industrial	**4.42**	4 06	4 12
Total retail	**6.40**	6.11	6 17
Sale for resale	**3.84**	5 98	3.81
Total sales	**6.31**	6 10	5.97
Residential Average Annual Kilowatt-Hour Use Per Customer	**13,771**	13,678	12,686
Residential Average Annual Revenue Per Customer	**$960.58**	$915 15	$871.68
Plant Nameplate Capacity Ratings (year-end) (megawatts)	**788**	788	788
Maximum Peak-Hour Demand (megawatts):			
Winter	**666**	630	617
Summer	**811**	811	729
Annual Load Factor (percent)	**53.1**	52 9	54 3
Plant Availability - Fossil-Steam (percent)	**77.6**	83 3	81 0
Source of Energy Supply (percent):			
Coal	**27.7**	23 9	18.6
Oil and gas	**3.1**	5 9	1.8
Purchased power -			
From non-affiliates	**2.1**	2.3	1.5
From affiliates	**67.1**	67.9	78 1
Total	**100.0**	100.0	100.0
Total Fuel Economy Data:			
BTU per net kilowatt-hour generated	**11,888**	12,146	11,786
Cost of fuel per million BTU (cents)	**203.36**	179 25	205 03
Average cost of fuel per net kilowatt-hour generated (cents)	**2.42**	2.18	2.42

SELECTED FINANCIAL AND OPERATING DATA (continued)

Savannah Electric and Power Company 1996 Annual Report

1993	1992	1991	1990	1989	1988	1987	1986
$93,883	$82,670	$80,541	$87,063	$85,113	$81,098	$79,785	$80,348
71,320	64,756	61,827	65,462	65,474	62,640	60,285	59,547
36,180	33,171	30,492	30,237	28,304	26,865	27,422	27,694
7,810	7,095	6,561	6,782	6,892	6,557	6,315	6,300
209,193	187,692	179,421	189,544	185,783	177,160	173,807	173,889
6,021	7,821	7,813	9,482	8,814	808	-	-
2,433	1,505	1,430	5,566	6,025	3,567	-	-
217,647	197,018	188,664	204,592	200,622	181,535	173,807	173,889
795	743	982	1,043	1,177	905	900	958
$218,442	$197,761	$189,646	$205,635	$201,799	$182,440	$174,707	$174,847
1,329,362	1,216,993	1,195,005	1,183,486	1,109,976	1,067,411	1,044,554	1,021,905
1,015,935	953,840	925,757	892,931	839,756	806,687	775,643	746,133
854,324	861,121	825,862	644,704	561,063	533,604	557,281	515,544
115,969	110,270	106,683	103,539	101,164	97,072	94,949	92,471
3,315,590	3,142,224	3,053,307	2,824,660	2,611,959	2,504,774	2,472,427	2,376,053
247,203	367,066	372,085	441,090	437,943	24,168	-	-
75,384	37,632	32,581	294,042	303,142	156,106	-	-
3,638,177	3,546,922	3,457,973	3,559,792	3,353,044	2,685,048	2,472,427	2,376,053
7.06	6.79	6.74	7.36	7.67	7.60	7.64	7.86
7.02	6.79	6.68	7.33	7.80	7.77	7.77	7.98
4.23	3.85	3.69	4.69	5.04	5.03	4.92	5.37
6.31	5.97	5.88	6.71	7.11	7.07	7.03	7.32
2.62	2.30	2.28	2.05	2.00	2.43	-	-
5.98	5.55	5.46	5.75	5.98	6.76	7.03	7.32
13,269	12,369	12,323	12,339	11,781	11,489	11,481	11,514
$937.07	$840.23	$830.54	$907.68	$903.37	$872.87	$876.95	$905.27
628	628	605	605	605	605	605	605
524	533	526	429	548	471	414	464
747	695	691	648	613	574	562	565
54.1	55.0	54.1	53.2	52.4	53.4	53.6	51.1
90.2	89.1	76.9	89.6	94.7	77.1	81.2	86.9
2.	12.0	16.3	52.8	63.5	79.8	74.3	81.9
4.5	2.9	1.7	3.4	1.4	5.4	4.4	6.8
0.9	1.0	0.4	0.8	1.5	5.9	19.9	11.3
73.1	84.1	81.6	43.0	33.6	8.9	1.4	-
100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
11,515	12,547	10,917	10,741	10,611	10,683	10,551	10,607
215.97	201.50	199.42	198.18	180.48	178.31	176.10	186.30
2.49	2.53	2.18	2.02	1.92	1.90	1.86	1.98

STATEMENTS OF INCOME
Savannah Electric and Power Company

For the Years Ended December 31, (Thousands of Dollars)	**1996**	1995	1994
Operating Revenues:			
Revenues	**$ 230,944**	$ 218,529	$ 205,339
Revenues from affiliates	**3,130**	7,200	6,446
Total operating revenues	**234,074**	225,729	211,785
Operating Expenses:			
Operation --			
Fuel	**29,139**	25,386	18,555
Purchased power from non-affiliates	**2,350**	2,139	1,839
Purchased power from affiliates	**58,591**	53,252	55,822
Other	**44,007**	45,214	41,623
Maintenance	**14,140**	13,668	12,560
Depreciation and amortization	**19,113**	18,949	17,854
Taxes other than income taxes	**11,675**	11,465	11,074
Federal and state income taxes	**16,175**	17,378	16,289
Total operating expenses	**195,190**	187,451	175,616
Operating Income	**38,884**	38,278	36,169
Other Income (Expense):			
Allowance for equity funds used during construction	**317**	163	831
Interest income	**201**	164	54
Other, net	**(1,756)**	(618)	(1,032)
Income taxes applicable to other income	**1,034**	651	864
Income Before Interest Charges	**38,680**	38,638	36,886
Interest Charges:			
Interest on long-term debt	**11,563**	12,380	12,585
Allowance for debt funds used during construction	**(333)**	(450)	(1,225)
Interest on notes payable	**229**	175	205
Amortization of debt discount, premium, and expense, net	**579**	448	550
Other interest charges	**378**	406	337
Net interest charges	**12,416**	12,919	12,452
Income Before Cumulative Effect of a Change in Method of Recording Revenues	**26,264**	25,719	24,434
Cumulative effect as of January 1, 1988, of accruing unbilled revenues--less income taxes of $1,164(000)	**-**	-	-
Net Income	**26,264**	25,719	24,434
Dividends on Preferred and Preference Stock	**2,324**	2,324	2,324
Net Income After Dividends on Preferred and Preference Stock	**$ 23,940**	$ 23,395	$ 22,110
Pro Forma Net Income After Dividends on Preferred Stock Assuming Change in Method of Recording Revenues Was Applied Retroactively	**$ 23,940**	$ 23,395	$ 22,110

STATEMENTS OF INCOME
Savannah Electric and Power Company

1993	1992	1991	1990	1989	1988	1987	1986
$ 216,009	$ 196,276	$ 188,216	$ 200,069	$ 195,774	$ 178,873	$ 174,707	$ 174,847
2,433	1,505	1,430	5,566	6,025	3,567	-	-
218,442	197,761	189,646	205,635	201,799	182,440	174,707	174,847
24,976	14,162	14,415	42,630	44,224	46,578	38,597	44,393
793	494	297	611	616	3,593	11,453	6,069
56,274	56,492	49,007	34,648	26,361	5,586	1,186	2,071
45,610	36,884	32,945	30,630	29,371	28,271	25,642	24,114
13,516	14,232	12,475	12,754	12,281	14,261	13,629	12,591
16,467	16,829	16,549	16,118	20,343	19,771	18,152	16,443
11,136	10,231	10,122	9,798	9,152	9,209	9,088	7,863
15,436	14,566	16,195	17,611	17,571	14,017	16,969	21,405
184,208	163,890	152,005	164,800	159,919	142,286	134,716	134,949
34,234	33,871	37,641	40,835	41,880	40,154	39,991	39,898
958	446	170	193	-	273	512	27
209	276	589	741	719	355	925	924
(1,841)	(1,450)	(879)	(803)	(672)	(1,423)	(464)	(553)
1,117	758	722	187	192	459	(317)	(217)
34,677	33,901	38,243	41,153	42,119	39,818	40,647	40,079
10,696	10,870	11,486	12,052	12,287	15,603	17,127	17,415
(699)	(289)	(103)	(194)	(112)	(330)	(459)	(73)
240	15	25	116	402	230	70	315
535	427	380	241	274	196	237	234
340	466	525	665	1,313	336	251	335
11,112	11,489	12,313	12,880	14,164	16,035	17,226	18,226
23,565	22,412	25,930	28,273	27,955	23,783	23,421	21,853
-	-	-	-	-	1,920	-	-
23,565	22,412	25,930	28,273	27,955	25,703	23,421	21,853
2,106	1,900	1,900	2,019	2,420	1,431	1,335	1,401
$ 21,459	$ 20,512	$ 24,030	$ 26,254	$ 25,535	$ 24,272	$ 22,086	$ 20,452
$ 21,459	$ 20,512	$ 24,030	$ 26,254	$ 25,535	$ 22,352	$ 21,865	$ 20,60

STATEMENTS OF CASH FLOWS
Savannah Electric and Power Company

For the Years Ended December 31, (Thousands of Dollars)	1996	1995	1994
Operating Activities:			
Net income	$ 26,264	$ 25,719	$ 24,434
Adjustments to reconcile net income to net cash provided by operating activities --			
Depreciation and amortization	20,246	20,535	19,353
Deferred income taxes, net	7,482	4,359	1,625
Deferred investment tax credits, net	-	-	-
Allowance for equity funds used during construction	(317)	(163)	(831)
Other, net	705	35	826
Changes in certain current assets and liabilities --			
Receivables, net	(641)	(6,241)	18,481
Special deposits	(1,395)	-	-
Inventories	410	2,318	1,144
Payables	4,242	2,213	(19,957)
Other	(4,558)	(1,848)	(117)
Net cash provided from operating activities	52,438	46,927	44,958
Investing Activities:			
Gross property additions	(28,950)	(26,503)	(30,078)
Sales of property	-	-	-
Other	(3,173)	3,198	(841)
Net cash used for investing activities	(32,123)	(23,305)	(30,919)
Financing Activities:			
Proceeds:			
Preferred stock	-	-	-
First mortgage bonds	20,000	15,000	-
Pollution control bonds	-	-	-
Other long-term debt	17,000	13,500	8,500
Common stock	-	-	-
Retirements:			
Preferred and preference stock	-	-	-
First mortgage bonds	(29,400)	(29,250)	(5,065)
Pollution control bonds	-	-	-
Other long-term debt	(397)	(23,003)	(823)
Notes payable, net	1,000	1,500	(500)
Payment of preferred and preference stock dividends	(2,324)	(2,324)	(2,329)
Payment of common and class A stock dividends	(19,600)	(17,600)	(16,300)
Miscellaneous	(2,257)	(2,131)	(74)
Net cash provided from (used for) financing activities	(15,978)	(24,308)	(16,391)
Net Increase (Decrease) in Cash and Cash Equivalents	4,337	(686)	(2,352)
Cash and Cash Equivalents at Beginning of Year	877	1,563	3,915
Cash and Cash Equivalents at End of Year	$ 5,214	$ 877	$ 1,563

( ) Denotes use of cash.

STATEMENTS OF CASH FLOWS
Savannah Electric and Power Company

1993	1992	1991	1990	1989	1988	1987	1986
$ 23,565	$ 22,412	$ 25,930	$ 28,273	$ 27,955	$ 25,703	$ 23,421	$ 21,853
17,482	17,757	17,501	16,995	21,310	20,592	19,126	16,855
607	5,947	1,601	2,782	3,476	3,568	925	4,443
-	-	-	-	-	-	(5)	489
(958)	(446)	(170)	(193)	-	(273)	(512)	(27)
2,853	(1,312)	(1,876)	511	(775)	718	(1,016)	474
(16,839)	(4,107)	5,291	1,541	(6,949)	(7,062)	1,360	1,456
-	350	1,348	185	2,708	(558)	(587)	(53)
(3,947)	4,435	(1,082)	1,246	(1,503)	3,063	(503)	663
18,742	351	568	(228)	1,086	(1,151)	(78)	(1,230)
3,282	2,083	3,710	(319)	1,544	(1,684)	(757)	1,916
44,787	47,470	52,821	50,793	48,852	42,916	41,374	46,319
(72,858)	(30,132)	(19,478)	(20,086)	(18,831)	(23,254)	(32,276)	(26,809)
-	-	-	-	-	-	-	-
1,676	(1,073)	407	(120)	381	(4,042)	1,296	(824)
(71,182)	(31,205)	(19,071)	(20,206)	(18,450)	(27,296)	(30,980)	(27,624)
35,000	-	-	-	-	20,000	-	-
45,000	30,000	30,000	-	30,000	-	-	25,000
4,085	13,870	-	-	-	-	-	-
10,000	-	-	-	-	-	-	-
-	-	-	-	-	403	1,693	1,691
(20,000)	-	-	(5,374)	(6,591)	(553)	(588)	(610)
-	(38,750)	(22,500)	(9,135)	(18,275)	(12,231)	(10,239)	(10,160)
(4,085)	(14,550)	(515)	(485)	(455)	(430)	(405)	(380)
(10,356)	(217)	(275)	(364)	(7,656)	(4,401)	(3,954)	(3,075)
(4,500)	7,500	(1,500)	1,500	-	-		(4,500)
(2,222)	(1,900)	(1,900)	(2,113)	(2,318)	(1,284)	(1,351)	(1,418)
(21,000)	(22,000)	(22,000)	(22,000)	(20,000)	(14,407)	(10,383)	(9,114)
(3,400)	(3,985)	(477)	47	(1,071)	(269)	-	(436)
28,522	(30,032)	(19,167)	(37,924)	(26,366)	(13,172)	(25,727)	(3,002)
2,127	(13,767)	14,583	(7,337)	4,036	2,448	(14,833)	15,693
1,788	15,555	972	8,309	4,273	1,825	16,658	965
$ 3,915	$ 1,788	$ 15,555	$ 972	$ 8,309	$ 4,273	$ 1,825	$ 16,658

BALANCE SHEETS
Savannah Electric and Power Company

At December 31, (Thousands of Dollars)	1996	1995	1994
ASSETS			
Utility Plant:			
Production-foss..	$ 327,549	$ 317,026	$ 312,215
Transmission	103,160	102,129	100,956
Distribution	275,877	264,115	251,323
General	32,875	31,876	28,938
Construction work in progress	13,463	6,707	5,930
Total utility plant	752,924	721,853	699,362
Accumulated provision for depreciation	304,760	287,004	267,590
Total	448,164	434,849	431,772
Less property-related accumulated deferred income taxes	-	-	-
Total	448,164	434,849	431,772
Other Property and Investments	1,785	1,788	1,790
Current Assets:			
Cash and cash equivalents	5,214	877	1,563
Receivables, net	16,606	21,346	12,328
Accrued unbilled revenues	4,597	5,110	4,780
Fuel cost under recovery	7,289	-	3,113
Fossil fuel stock, at average cost	5,892	6,076	7,557
Materials and supplies, at average cost	8,013	8,239	9,076
Prepayments	6,135	6,467	7,446
Total	53,746	48,115	45,863
Deferred Charges:			
Deferred charges related to income taxes	19,167	21,557	23,521
Miscellaneous	19,433	18,353	15,359
Total	38,600	39,910	38,880
Total Assets	$ 542,295	$ 524,662	$ 518,305

BALANCE SHEETS
Savannah Electric and Power Company

1993	1992	1991	1990	1989	1988	1987	1986
$ 257,708	$ 258,539	$ 247,017	$ 246,278	$ 242,988	$ 241,833	$ 236,587	$ 232,316
[illegible],791	93,182	90,198	73,358	72,299	71,601	69,822	65,215
237,012	222,024	212,576	217,913	204,611	192,335	177,163	160,346
28,010	25,851	24,283	22,990	22,482	21,686	17,513	14,838
49,797	5,966	4,211	1,354	2,880	1,684	7,214	5,270
672,318	605,562	578,285	561,893	545,260	529,139	508,299	477,985
251,565	240,094	225,605	211,725	198,228	178,888	161,531	144,232
420,753	365,468	352,680	350,168	347,032	350,251	346,768	333,753
-	65,725	62,737	58,106	54,418	51,487	49,255	46,496
420,753	299,[illegible]3	289,943	292,062	292,614	298,764	297,513	287,257
1,793	1,795	39	39	49	49	49	39
3,915	1,788	15,555	972	8,309	4,273	1,825	16,658
27,714	14,480	14,549	14,450	14,300	15,714	14,419	13,806
3,789	3,401	3,252	3,831	4,501	3,889	-	-
7,112	3,895	-	5,662	6,881	1,838	-	787
8,419	4,895	9,196	8,071	9,706	8,455	12,359	12,642
9,358	8,935	9,069	9,112	8,723	8,471	7,630	6,844
4,849	1,599	4,544	1,492	585	1,240	2,786	978
65,156	38,993	56,165	43,590	53,005	43,880	39,019	51,715
24,890	-	-	-	-	-	-	-
14,595	11,644	6,358	4,359	4,219	4,358	4,127	2,815
39,485	11,644	6,358	4,359	4,219	4,358	4,127	2,815
$ 527,187	$ 352,175	$ 352,505	$ 340,050	$ 349,887	$ 347,051	$ [illegible]40,708	$ 341,826

BALANCE SHEETS
Savannah Electric and Power Company

At December 31, (Thousands of Dollars)	1996	1995	1994
CAPITALIZATION AND LIABILITIES			
Capitalization:			
Common stock	$ 54,223	$ 54,223	$ 54,223
Paid-in capital	8,688	8,688	8,688
Additional minimum liability for under-funded pension obligations	-	(132)	(546)
Retained Earnings	109,373	105,033	99,216
Total common equity	172,284	167,812	161,581
Preferred stock	35,000	35,000	35,000
Preferred and preference stock subject to mandatory redemption	-	-	-
Long-term debt	161,801	153,679	155,922
Total (excluding amount due within one year)	369,085	356,491	352,503
Current Liabilities:			
Notes payable to banks	5,000	4,000	2,500
Preferred and preference stock due within one year	-	-	-
Long-term debt due within one year	637	1,407	2,579
Accounts payable	16,575	11,362	8,991
Customer deposits	5,232	5,054	4,698
Fuel cost over recovery	-	865	-
Taxes accrued	1,015	1,584	1,133
Interest accrued	5,275	6,331	6,830
Vacation pay accrued	2,038	1,916	1,823
Miscellaneous	7,470	5,870	8,282
Total	43,242	38,389	36,836
Deferred Credits and Other Liabilities:			
Accumulated deferred income taxes	76,654	74,152	70,786
Accumulated deferred investment tax credits	13,271	13,934	14,637
Deferred credits related to income taxes	22,792	24,419	25,487
Deferred under-funded accrued benefit obligation	-	2,123	3,022
Miscellaneous	17,251	15,154	15,034
Total	129,968	129,782	128,966
Total Capitalization and Liabilities	$ 542,295	$ 524,662	$ 518,305

BALANCE SHEETS
Savannah Electric and Power Company

1993	1992	1991	1990	1989	1988	1987	1986
$ 54,223	$ 54,223	$ 54,223	$ 54,223	$ 54,223	$ 54,223	$ 54,131	$ 53,174
8,6[illegible]	8,688	8,665	8,665	8,665	8,665	8,353	7,623
(2,121)	-	-	-	-	-	-	-
93,479	95,465	96,953	94,923	90,849	85,995	73,723	62,336
154,269	158,376	159,841	157,811	153,737	148,883	136,207	123,133
35,000	20,000	20,000	20,000	22,300	22,300	2,300	2,300
-	-	-	-	2,884	3,075	9,665	10,256
151,338	110,767	119,280	112,377	117,522	98,285	129,329	137,821
340,607	289,143	299,121	290,188	296,443	272,543	277,501	273,510
3,000	7,500	-	1,500	-	-	-	-
-	-	-	-	190	6,590	553	550
4,499	1,319	2,442	2,358	7,091	23,217	8,956	14,836
30,442	11,179	10,176	8,786	9,078	7,950	9,427	10,329
4,714	4,541	4,528	4,472	4,296	3,983	3,729	3,403
-	-	1,603	-	-	-	599	-
1,529	3,016	724	1,387	1,749	1,899	3,713	4,834
6,730	5,733	4,657	3,415	4,287	4,154	4,599	4,906
1,638	1,790	1,672	1,604	1,477	1,412	1,306	1,255
8,703	5,025	4,823	3,398	2,880	1,705	6,257	3,650
61,255	40,103	30,625	26,920	31,048	50,910	39,139	43,763
66,947	-	-	-	-	-	-	-
15,301	15,964	16,628	17,292	17,971	19,106	20,264	21,663
26,173	-	-	-	-	-	-	-
5,855	-	-	-	-	-	-	-
11,049	6,965	6,131	5,650	4,425	4,492	3,804	2,890
125,325	22,929	22,759	22,942	22,396	23,598	24,068	24,553
$ 527,187	$ 352,175	$ 352,505	$ 340,050	$ 349,887	$ 347,051	$ 340,708	$ 341,826

SAVANNAH ELECTRIC AND POWER COMPANY

OUTSTANDING SECURITIES AT DECEMBER 31, 1996

First Mortgage Bonds

Series	Amount Issued (Thousands)	Interest Rate	Amount Outstanding (Thousands)	Maturity
1993	$ 20,000	6-3/8%	$ 20,000	7/1/03
1992	30,000	8.30%	30,000	7/1/22
1993	25,000	7.40%	25,000	7/1/23
1995	15,000	7-7/8%	15,000	5/1/25
1996	20,000	6.90%	20,000	5/1/06
	$ 110,000		$ 110,000	

Pollution Control Bonds

Series	Amount Issued (Thousands)	Interest Rate	Amount Outstanding (Thousands)	Maturity
1993	$ 4,085	Variable	$ 4,085	1/1/16
1992	13,870	6-3/4%	13,870	2/1/22
	$ 17,955		$ 17,955	

Preferred Stock

Series	Shares Outstanding	Dividend Rate	Amount Outstanding (Thousands)
1993	1,400,000	6.64%	$ 35,000

SECURITIES RETIRED DURING 1996

First Mortgage Bonds

Series	Principal Amount (Thousands)	Interest Rate
1991	$29,400	9-3/8%

PART III

Items 10, 11, 12 and 13 for SOUTHERN are incorporated by reference to ELECTION OF DIRECTORS in SOUTHERN's definitive Proxy Statement relating to the 1997 annual meeting of stockholders. The ages of directors and executive officers in Item 10 set forth below are as of December 31, 1996.

Item 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANTS

ALABAMA

Identification of directors of ALABAMA.

Elmer B. Harris (1)
President and Chief Executive Officer
Age 57
Served as Director since 3-1-89

Bill M. Guthrie
Executive Vice President
Age 63
Served as Director since 12-16-88

Whit Armstrong (2)
Age 49
Served as Director since 9-24-82

A. W. Dahlberg (2)
Age 56
Served as Director since 4-22-94

Peter V. Gregerson, Sr. (2)
Age 68
Served as Director since 10-22-93

Carl E. Jones, Jr. (2)
Age 56
Served as Director since 4-22-88

Wallace D. Malone, Jr. (2)
Age 60
Served as Director since 6-22-90

William V. Muse (2)
Age 57
Served as Director since 2-26-93

John T. Porter (2)
Age 65
Served as Director since 10-22-93

Gerald H. Powell (2)
Age 70
Served as Director since 2-28-86

Robert D. Powers (2)
Age 46
Served as Director since 1-24-92

John W. Rouse (2)
Age 59
Served as Director since 4-22-88

William J. Rushton, III (2)
Age 67
Served as Director since 9-18-70

James H. Sanford (2)
Age 52
Served as Director since 8-1-83

John C. Webb, IV (2)
Age 54
Served as Director since 4-22-77

John W. Woods (2)
Age 65
Served as Director since 4-20-73

(1) *Previously served as Director of ALABAMA from 1980 to 1985*
(2) *No position other than Director*

Each of the above is currently a director of ALABAMA, serving a term running from the last annual meeting of ALABAMA's stockholder (April 26, 1996) for one year until the next annual meeting or until a successor is elected and qualified

There are no arrangements or understandings between any of the individuals listed above and any other person pursuant to which he was or is to be selected as a director or nominee, other than any arrangements or understandings with directors or officers of ALABAMA acting solely in their capacities as such

Identification of executive officers of ALABAMA.

Elmer B. Harris (1)
President, Chief Executive Officer and Director
Age 57
Served as Executive Officer since 3-1-89

Banks H. Farris
Executive Vice President
Age 61
Served as Executive Officer since 12-3-91

William B. Hutchins, III
Executive Vice President and Chief Financial Officer
Age 53
Served as Executive Officer since 12-3-91

Charles D. McCrary
Executive Vice President
Age 45
Served as Executive Officer since 1-1-91

(1) *Previously served as executive officer of ALABAMA from 1979 to 1985*

Each of the above is currently an executive officer of ALABAMA, serving a term running from the last annual meeting of the directors (April 26, 1996) for one year until the next annual meeting or until his successor is elected and qualified

There are no arrangements or understandings between any of the individuals listed above and any other person pursuant to which he was or is to be selected as an officer, other than any arrangements or understandings with officers of ALABAMA acting solely in their capacities as such

Identification of certain significant employees.

None

Family relationships.

None

Business experience.

Elmer B. Harris - Elected in 1989, Chief Executive Officer. Director of SOUTHERN and AmSouth Bancorporation

Bill M. Guthrie - Elected in 1988, also served since 1991 as Chief Production Officer of the SOUTHERN system and from 1991 to 1994 as Executive Vice President and Chief Production Officer of SCS. Elected Senior Executive Vice President and Chief Production Officer of SCS effective 1994. Also serves as Vice President of SOUTHERN, GULF, MISSISSIPPI and SAVANNAH and Executive Vice President of GEORGIA. Responsible primarily for providing overall management of materials management, fuel services, operating and planning services, fossil, hydro and bulk power operations of the Southern electric system.

Whit Armstrong - President, Chairman and Chief Executive Officer of The Citizens Bank, Enterprise, Alabama. Also, President and Chairman of the Board of Enterprise Capital Corporation, Inc. Director of Enstar Group, Inc

A. W. Dahlberg - Chairman, President and Chief Executive Officer of SOUTHERN since 1995. He previously served as President of SOUTHERN from 1994 to 1995 and President and Chief Executive Officer of GEORGIA from 1988 through 1993. Director of SOUTHERN, GEORGIA, Equifax, Inc., Protective Life Corporation and SunTrust Banks, Inc

Peter V. Gregerson, Sr - Chairman Emeritus of Gregerson's Foods, Inc. (retail groceries), Gadsden, Alabama.

Carl E. Jones, Jr - President and Chief Operating Officer of Regions Bank, Birmingham, Alabama. President of the Southern Region, Regions Financial Corporation. He previously served as Chairman and Chief Executive Officer of Regions Bank (formerly First Alabama Bank), Mobile, Alabama

Wallace D. Malone, Jr - Chairman and Chief Executive Officer of SouthTrust Corporation, bank holding company, Birmingham, Alabama. Director of American Cast Iron Pipe Company

William V. Muse - President of Auburn University. Director of SouthTrust Corporation and American Cast Iron Pipe Company

John T. Porter - Pastor of Sixth Avenue Baptist Church, Birmingham, Alabama. Director of Citizen Federal Bank.

Gerald H. Powell - President, Dixie Clay Company of Alabama, Inc. (refractory clay producer), Jacksonville, Alabama.

Robert D. Powers - President and Director, The Eufaula Agency, Inc. (real estate and insurance), Eufaula, Alabama.

John W. Rouse - President and Chief Executive Officer of Southern Research Institute (non-profit research institute), Birmingham, Alabama. Director of Protective Life Corporation.

William J. Rushton, III - Chairman Emeritus of the Board, Protective Life Corporation (insurance holding company), Birmingham, Alabama. Director of SOUTHERN.

James H. Sanford - Chairman, HOME Place Farms Inc. (diversified farmers and ginners), Prattville, Alabama. Chairman of the Board, Sylvest Farms of Georgia, Inc., College Park, Georgia. Chairman of the Board, Sylvest Poultry Inc., Montgomery, Alabama.

John C. Webb, IV - President, Webb Lumber Company, Inc. (wholesale lumber and wood products sales), Demopolis, Alabama. Director, J. F. Suttle, Co.

John W. Woods - Director of Protective Life Corporation and McWane, Inc. During 1996 he served as Chairman of AmSouth Bancorporation and Chairman of AmSouth Bank of Alabama.

Banks H. Farris - Elected in 1991, responsible primarily for providing the overall management of human resources, information resources, power delivery and marketing departments, customer service centers and the six geographic divisions. He previously served as Senior Vice President from 1991 to 1994.

William B. Hutchins, III - Elected in 1991, Chief Financial Officer, responsible primarily for providing the overall management of accounting and financial planning activities. He previously served as Senior Vice President and Chief Financial Officer from 1991 to 1994.

Charles D. McCrary - Elected in 1991, responsible for the external relations department, public relations and corporate services. He previously served as Senior Vice President from 1991 to 1994.

Involvement in certain legal proceedings.

None

GEORGIA

Identification of directors of GEORGIA.

H. Allen Franklin
President and Chief Executive Officer
Age 52
Served as Director since 1-1-94

Warren Y. Jobe
Executive Vice President, Treasurer and Chief Financial Officer
Age 56
Served as Director since 8-1-82

Bennett A. Brown (1)
Age 67
Served as Director since 5-15-80

A. W. Dahlberg (1)
Age 56
Served as Director since 6-1-88

William A. Fickling, Jr. (1)
Age 64
Served as Director since 4-18-73

L. G. Hardman III (1)
Age 57
Served as Director since 6-25-79

James R. Lientz, Jr. (1)
Age 53
Served as Director since 7-21-93

William A. Parker, Jr. (1)
Age 69
Served as Director since 5-19-65

G. Joseph Prendergast (1)
Age 51
Served as Director since 1-20-93

Herman J. Russell (1)
Age 66
Served as Director since 5-18-88

Gloria M. Shatto (1)
Age 65
Served as Director since 2-20-80

William Jerry Vereen (1)
Age 56
Served as Director since 5-18-88

Carl Ware (1) (2)
Age 53
Served as Director since 2-15-95

Thomas R. Williams (1)
Age 68
Served as Director since 5-17-82

(1) *No position other than Director*
(2) *Previously served as Director of GEORGIA from 1980 to 1991*

Each of the above is currently a director of GEORGIA, serving a term running from the last annual meeting of GEORGIA's stockholder (May 15, 1996) for one year until the next annual meeting or until a successor is elected and qualified.

There are no arrangements or understandings between any of the individuals listed above and any other person pursuant to which he she was or is to be selected as a director or nominee, other than any arrangements or understandings with directors or officers of GEORGIA acting solely in their capacities as such.

Identification of executive officers of GEORGIA.

H. Allen Franklin
President, Chief Executive Officer and Director
Age 52
Served as Executive Officer since 1-1-94

Warren Y. Jobe
Executive Vice President, Treasurer, Chief Financial Officer and Director
Age 56
Served as Executive Officer since 5-19-82

William C. Archer, III
Executive Vice President - External Affairs
Age 48
Served as Executive Officer since 4-6-95

W. G. Hairston, III
Executive Vice President - Nuclear
Age 52
Served as Executive Officer since 6-1-93

Gene R. Hodges
Executive Vice President - Customer Operations
Age 58
Served as Executive Officer since 11-19-86

William P. Bowers
Senior Vice President - Marketing
Age 40
Served as Executive Officer since 9-22-95

Wayne T. Dahlke
Senior Vice President - Power Delivery
Age 55
Served as Executive Officer since 4-19-89

James K. Davis
Senior Vice President - Corporate Relations
Age 56
Served as Executive Officer since 10-1-93

Robert H. Haubein
Senior Vice President - Fossil/Hydro Power
Age 56
Served as Executive Officer since 2-19-92

Fred D. Williams
Senior Vice President - Wholesale Power Marketing
Age 52
Served as Executive Officer since 11-18-92

Each of the above is currently an executive officer of GEORGIA, serving a term running from the last annual meeting of the directors (May 15, 1996) for one year until the next annual meeting or until his successor is elected and qualified

There are no arrangements or understandings between any of the individuals listed above and any other person pursuant to which he was or is to be selected as an officer, other than any arrangements or understandings with officers of GEORGIA acting solely in their capacities as such.

Identification of certain significant employees.
None

Family relationships.
None

Business experience.

H. Allen Franklin - President and Chief Executive Officer since 1994 He previously served as President and Chief Executive Officer of SCS from 1988 through 1993. Director of SOUTHERN and SouthTrust Corporation.

Warren Y. Jobe - Executive Vice President and Chief Financial Officer since 1982 and Treasurer since 1992 Responsible for financial and accounting operations and planning, internal auditing, procurement, corporate services, corporate secretary and treasury operations

Bennett A. Brown - Retired as Chairman of the Board of NationsBank on December 31, 1992 Previously Chairman of the Board and Chief Executive Officer of C&S/Sovran Corporation. Director of Cousins Properties

A. W. Dahlberg - Chairman, President and Chief Executive Officer of SOUTHERN since 1995 He previously served as President of SOUTHERN from 1994 to 1995 and President and Chief Executive Officer of GEORGIA from 1988 through 1993 Director of SOUTHERN, ALABAMA, Equifax, Inc., Protective Life Corporation and SunTrust Banks, Inc.

William A. Fickling, Jr - Chairman of the Board, Chief Executive Officer and President of Beech Street Corporation (provider of managed care services)

L. G. Hardman III - Chairman of the Board of The First National Bank of Commerce, Georgia and Chairman of the Board and Chief Executive Officer of First Commerce Bancorp, Inc Chairman of the Board, President and Treasurer of Harmony Grove Mills, Inc (real estate investments) Director of SOUTHERN

James R. Lientz, Jr. - President of NationsBank of Georgia since 1993 He previously served as President and Chief Executive Officer of former Citizens & Southern Bank of South Carolina (now NationsBank) from 1990 to 1993.

William A. Parker, Jr. - Chairman of the Board, Seminole Investment Co., L.L.C. (private investments), Atlanta, Georgia. Director of SOUTHERN, Genuine Parts Company, Atlantic Investment Company, Post Properties, Inc. and Haverty Furniture Companies, Inc.

G. Joseph Prendergast - Chairman, Wachovia Bank of Georgia, N.A. since 1994. Chairman, Wachovia Bank of South Carolina and Director, Wachovia Bank of North Carolina. He previously served as President and Chief Executive Officer, Wachovia Corporation of Georgia and Wachovia Bank of Georgia, N.A. from 1993 to 1994 and from 1988 to 1993 as Executive Vice President of Wachovia Corporation of Georgia and President of Wachovia Corporate Services, Inc.

Herman J. Russell - Chairman of the Board, H. J. Russell & Company (construction), Atlanta, Georgia. Chairman of the Board, Citizens Trust Bank, and Citizens Bancshares Corporation Atlanta, Georgia. Director of Wachovia Corporation and National Service Industries. Member of Board of Trustees, First Union Real Estate Equity and Mortgage Investments.

Gloria M. Shatto - President, Berry College, Mount Berry, Georgia. Director of SOUTHERN, Becton Dickinson & Company and Texas Instruments, Inc.

William Jerry Vereen - President, Treasurer and Chief Executive Officer of Riverside Manufacturing Company (manufacture and sale of uniforms), Moultrie, Georgia. Director of Gerber Scientific, Inc., Textile Clothing Technology Group and Blue Cross/Blue Shield of Georgia.

Carl Ware - President, Africa Group, Coca-Cola International since 1991.

Thomas R. Williams - President of The Wales Group, Inc. (investments), Atlanta, Georgia. Director of ConAgra, Inc., BellSouth Corporation, National Life Insurance Company of Vermont, AppleSouth, Inc., American Software, Inc. and The Fidelity Group of Funds.

William C. Archer, III - Executive Vice President - External Affairs since September 1995. Senior Vice President - External Affairs from April 1995 to September 1995. Vice President - Human Resources for SCS from 1992 to 1995. Vice President - Northern Region from March 1992 to August 1992 and Vice President - Metro Region from 1990 to March 1992.

W. G. Hairston, III - Executive Vice President - Nuclear since 1993. Also, he has served as President and Chief Operating Officer of Southern Nuclear since May 1993 and Chief Executive Officer since December 1993. Executive Vice President of Southern Nuclear from 1992 to 1993 and Senior Vice President of Southern Nuclear from 1990 to 199

Gene R. Hodges - Executive Vice President - Customer Operations, Power Delivery and Safety. Senior Vice President - Region/Land Operations from 1990 to 1992.

William P. Bowers - Senior Vice President - Marketing since 1995. Vice President - Retail Sales and Service from 1992 to 1995 and Vice President - Marketing from 1990 to 1992.

Wayne T. Dahlke - Senior Vice President - Power Delivery since 1992. Senior Vice President - Marketing from 1989 to 1992.

James K. Davis - Senior Vice President - Corporate Relations since 1993. Vice President of Corporate Relations from 1988 to 1993.

Robert H. Haubein - Senior Vice President - Fossil Hydro Power since 1994. Senior Vice President - Administrative Services from 1992 to 1994 and Vice President - Northern Region from 1990 to 1992.

Fred D. Williams - Senior Vice President - Wholesale Power Marketing since August 1995. Senior Vice President - Bulk Power Markets from 1992 to August 1995. Vice President - Bulk Power Markets from 1984 to 1992. In addition, he was elected Senior Vice President - Wholesale Power Marketing of SCS in 1995 and Senior Vice President of ALABAMA in February 1996.

Involvement in certain legal proceedings.

None

GULF

Identification of directors of GULF.

Travis J. Bowden
President and Chief Executive Officer
Age 58
Served as Director since 2-1-94

Paul J. DeNicola (1)
Age 48
Served as Director since 4-19-91

Fred C. Donovan (1)
Age 56
Served as Director since 1-19-91

W. Deck Hull, Jr. (1)
Age 64
Served as Director since 10-14-83

Joseph K. Tannehill (1)
Age 63
Served as Director since 7-19-85

Barbara H. Thames (1)
Age 56
Served as Director since 2-28-97

(1) *No position other than Director*

Each of the above is currently a director of GULF, serving a term running from the last annual meeting of GULF's stockholder (June 25, 1996) for one year until the next annual meeting or until a successor is elected and qualified, except for Ms. Thames whose election was effective on the date indicated

There are no arrangements or understandings between any of the individuals listed above and any other person pursuant to which he was or is to be selected as a director or nominee, other than any arrangements or understandings with directors or officers of GULF acting solely in their capacities as such.

Identification of executive officers of GULF.

Travis J. Bowden
President, Chief Executive Officer and Director
Age 58
Served as Executive Officer since 2-1-94

Francis M. Fisher, Jr.
Vice President - Power Delivery and Customer Operations
Age 48
Served as Executive Officer since 5-19-89

John E. Hodges, Jr.
Vice President - Marketing and Employee/External Affairs
Age 53
Served as Executive Officer since 5-19-89

G. Edison Holland, Jr.
Vice President - Power Generation/Transmission and Corporate Counsel
Age 44
Served as Executive Officer since 4-25-92

Arlan E. Scarbrough
Vice President - Finance
Age 60
Served as Executive Officer since 9-21-77

Each of the above is currently an executive officer of GULF, serving a term running from the last annual meeting of the directors (July 26, 1996) for one year until the next annual meeting or until his successor is elected and qualified

There are no arrangements or understandings between any of the individuals listed above and any other person pursuant to which he was or is to be selected as an officer, other than any arrangements or understandings with officers of GULF acting solely in their capacities as such

Identification of certain significant employees.

None

Family relationships.

None

Business experience.

Travis J. Bowden - Elected President effective February 1994 and, effective May 199[illegible] Chief Executive Officer He previously served as Executive Vice President of ALABAMA from 1985 to 1994.

Paul J. DeNicola - President and Chief Executive Officer of SCS since 1994. He previously served as Executive Vice President of SCS from 1991 through 1993. Director of SOUTHERN, MISSISSIPPI and SAVANNAH.

Fred C. Donovan - President of Baskerville - Donovan, Inc., Pensacola, Florida, an architectural and engineering firm. Director of Baptist Health Care, Inc.

W. Deck Hull, Jr. - Vice Chairman of the SunTrust Bank, West Florida, Panama City, Florida. He previously served as President and Chief Executive Officer and Director of the Sun Commereial Bank, Panama City, Florida from 1989 to 1992.

Joseph K. Tannehill - President and Chief Executive Officer of Merrick International Industries, Lynn Haven, Florida Director of Florida First Bank, Panama City, Florida

Barbara H. Thames - Chief Executive Officer of Santa Rosa Medical Center, Milton, Florida since 1991.

Francis M. Fisher, Jr - Elected Vice President - Employee and External Relations in 1989 and, effective August 1996, Vice President - Power Delivery and Customer Operations

John E. Hodges, Jr. - Elected Vice President - Customer Operations in 1989 and, effective August 1996, Vice President - Marketing and Employee/External Affairs Director of Barnett Bank of West Florida, Pensacola, Florida.

G. Edison Holland, Jr - Elected Vice President and Corporate Counsel in 1992 and Vice President - Power Generation/Transmission and Corporate Counsel in 1995, responsible for generation and transmission of electric energy, all legal matters associated with GULF and serves as compliance officer Also serves, since 1982, as a partner in the law firm, Beggs & Lane

Arlan E. Scarbrough - Elected Vice President - Finance in 1980; responsible for all accounting and financial services of GULF

Involvement in certain legal proceedings.

None

MISSISSIPPI

Identification of directors of MISSISSIPPI.

Dwight H Evans
President and Chief Executive Officer
Age 48
Served as Director since 3 27-95

Paul J. DeNicola (1)
Age 48
Served as Director since 5-1-89

Edwin E. Downer (1)
Age 65
Served as Director since 4-24-84

Robert S. Gaddis (1)
Age 65
Served as Director since 1-21-86

Walter H. Hurt, III (1)
Age 61
Served as Director since 4-6-82

Aubrey K. Lucas (1)
Age 62
Served as Director since 4-24-84

George A. Schloegel (1)
Age 56
Served as Director since 7-26-95

Philip J. Terrell (1)
Age 43
Served as Director since 2-22-95

N. Eugene Warr (1)
Age 61
Served as Director since 1-21-86

(1) *No position other than Director*

Each of the above is currently a director of MISSISSIPPI, serving a term running from the last annual meeting of MISSISSIPPI's stockholder (April 2, 1996) for one year until the next annual meeting or until his successor is elected and qualified.

There are no arrangements or understandings between any of the individuals listed above and any other person pursuant to which he or she was or is to be selected as a director or nominee, other than any arrangements or understandings with directors or officers of MISSISSIPPI acting solely in their capacities as such

Identification of executive officers of MISSISSIPPI.

Dwight H. Evans
President, Chief Executive Officer and Director
Age 48
Served as Executive Officer since 3-27-95

H. E. Blakeslee
Vice President - Customer Services and Marketing
Age 56
Served as Executive Officer since 1-25-84

F. D. Kuester (1)
Vice President - Power Generation and Delivery
Age 46
Served as Executive Officer since 3-28-94

Don E. Mason
Vice President - External Affairs and Corporate Services
Age 55
Served as Executive Officer since 7-27-83

Michael W. Southern
Vice President, Secretary, Treasurer and
Chief Financial Officer
Age 44
Served as Executive Officer since 1-1-95

(1) *Resigned effective March 1, 1997, to assume the position of Director - Commercial of SOUTHERN's Hong Kong-based affiliate, Consolidated Electric Power Asia*

Each of the above, except for Mr. Kuester, is currently an executive officer of MISSISSIPPI, serving a term running from the last annual meeting of the directors (April 24, 1996) for one year until the next annual meeting or until his successor is elected and qualified

There are no arrangements or understandings between any of the individuals listed above and any other person pursuant to which he was or is to be selected as an officer, other than any arrangements or understandings with officers of MISSISSIPPI acting solely in their capacities as such

Identification of certain significant employees

None

Family relationships.

None

Business experience.

Dwight H. Evans - President and Chief Executive Officer since 1995. He previously served as Executive Vice President of GEORGIA from 1989 to 1995.

Paul J. DeNicola - President and Chief Executive Officer of SCS effective 1994. Executive Vice President of SCS from 1991 through 1993. Director of SOUTHERN, SAVANNAH and GULF.

Edwin E. Downer - Business consultant specializing in economic analysis, management controls and procedural studies.

Robert S. Gaddis - Chairman of the Advisory Board of Trustmark National Bank, Laurel, Mississippi.

Walter H. Hurt, III - President and Director of NPC Inc (Investments). Vicar, All Saints Church, Inverness, Mississippi, and St. Thomas Church, Belzoni, Mississippi. Retired newspaper editor and publisher.

Aubrey K. Lucas - President Emeritus and Distinguished Professor of Higher Education at the University of Southern Mississippi, Hattiesburg, Mississippi.

George A. Schloegel - President of Hancock Bank and Hancock Bank Securities Corporation. Vice Chairman of Hancock Holding Company. Director of Hancock Bank - Mississippi and Hancock Bank - Louisiana.

Philip J. Terrell - Superintendent of Pass Christian Public School District and adjunct professor at William Carey College.

N. Eugene Warr - Retailer (Biloxi and Gulfport, Mississippi). Director of Coast Community Bank formerly South Trust Bank of Mississippi, Biloxi, Mississippi.

H. E. Blakeslee - Elected Vice President in 1984. Primarily responsible for retail marketing, rates and wholesale marketing, division operations, the customer service center and distribution services.

F. D. Kuester - Elected Vice President in 1994. Primarily responsible for generating plants, environmental quality, fuel services, power generation technical services, transmission, system planning, bulk power contracts, system operations and control, system protection and real estate. He previously served as Manager of Business and New Project Design/Development of SCS from 1993 to 1994 and Vice President of SCS from 1990 to 1993.

Don E. Mason - Elected Vice President in 1983. Primarily responsible for external affairs, corporate communications, security, risk management, economic development and general services, as well as the human resources function.

Michael W. Southern - Elected Vice President, Secretary, Treasurer and Chief Financial Officer in 1995. Primarily responsible for accounting, secretary/treasury, corporate planning, procurement and information resources. He previously served as Director of Corporate Finance of SCS from 1994 to 1995 and Director of Financial Planning of SCS from 1990 to 1994.

Involvement in certain legal proceedings.

None

SAVANNAH

Identification of directors of SAVANNAH.

Arthur M. Gignilliat, Jr.
President and Chief Executive Officer
Age 64
Served as Director since 9-1-82

Helen Quattlebaum Artley (1)
Age 69
Served as Director since 5-17-77

Archie H. Davis (1)
Age 55
Served as Director since 2-18-97

Paul J. DeNicola (1)
Age '8
Served as Director since 3-14-91

Walter D. Gnann (1)
Age 61
Served as Director since 5-17-83

Robert B. Miller, III (1)
Age 51
Served as Director since 5-17-83

Arnold M. Tenenbaum (1)
Age 60
Served as Director since 5-17-77

Frederick F. Williams, Jr. (1)
Age 69
Served as Director since 7-2-75

(1) *No Position other than Director*

Each of the above is currently a director of SAVANNAH, serving a term running from the last annual meeting of SAVANNAH's stockholder (May 21, 1996) for one year until the next annual meeting or until a successor is elected and qualified, except for Mr. Davis whose election was effective on the date indicated.

There are no arrangements or understandings between any of the individuals listed above and any other person pursuant to which he she was or is to be selected as a director or nominee, other than any arrangements or understandings with directors or officers of SAVANNAH acting solely in their capacities as such.

Identification of executive officers of SAVANNAH.

Arthur M. Gignilliat, Jr.
President, Chief Executive Officer and Director
Age 64
Served as Executive Officer since 2-15-72

W. Miles Greer
Vice President - Marketing and Customer Services
Age 53
Served as Executive Officer since 11-20-85

Larry M. Porter
Vice President - Operations
Age 51
Served as Executive Officer since 7-1-91

Kirby R. Willis
Vice President, Treasurer and Chief Financial Officer
Age 45
Served as Executive Officer since 1-1-93

Each of the above is currently an executive officer of SAVANNAH, serving a term running from the last annual meeting of the directors (July 16, 1996) for one year until the next annual meeting or until his successor is elected and qualified.

There are no arrangements or understandings between any of the individuals listed above and any other person pursuant to which he was or is to be selected as an officer, other than any arrangements or understandings with officers of SAVANNAH acting solely in their capacities as such.

Identification of certain significant employees.

None

Family relationships.

None

Business experience.

Arthur M. Gignilliat, Jr. - Elected President and Chief Executive Officer in 1984. Director of Savannah Foods and Industries, Inc.

Helen Quattlebaum Artley - Homemaker and Civic Worker.

Archie H. Davis - President and Chief Executive Officer of The Savannah Bank, Savannah, Georgia. Previously served as President of C&S in Savannah, Georgia. Chairman of the Board of Candler Health Services. Member of the Board of Directors of Thomaston Mills, Thomaston, Georgia.

Paul J. DeNicola - President and Chief Executive Officer of SCS since 1994. Executive Vice President of SCS from 1991 through 1993. Director of SOUTHERN, GULF and MISSISSIPPI.

Walter D. Gnann - President of Walt's TV, Appliance and Furniture Co., Inc., Springfield, Georgia. Past Chairman of the Development Authority of Effingham County, Georgia.

Robert B. Miller, III - President of American Building Systems, Inc.

Arnold M. Tenenbaum - President and Director of Chatham Steel Corporation. Director of First Union National Bank of Georgia and Savannah Foods and Industries, Inc

Frederick F. Williams, Jr. - Retired Partner and Consultant, Hilb, Rogal and Hamilton Employee Benefits, Incorporated (Insurance Brokers), formerly Jones, Hill & Mercer

W. Miles Greer - Vice President - Marketing and Customer Services effective 1994. Formerly served as Vice President - Economic Development and Corporate Services from 1989 through 1993

Larry M. Porter - Vice President - Operations since 1991. Responsible for managing the areas of fuel procurement, power production, transmission and distribution, engineering and system operation

Kirby R. Willis - Vice President, Treasurer and Chief Financial Officer since 1994. Responsible primarily for all accounting, financial, information resources, labor relations, corporate services, environmental and safety activities. He previously served as Treasurer, Controller and Assistant Secretary from 1991 to 1993

Involvement in certain legal proceedings.

None

ITEM 11. EXECUTIVE COMPENSATION

Summary Compensation Tables. The following tables set forth information concerning any Chief Executive Officer and the four most highly compensated executive officers whose total annual salary and bonus exceeded $100,000 during 1996 for each of the operating affiliates (ALABAMA, GEORGIA, GULF, MISSISSIPPI and SAVANNAH)

Key terms used in this Item will have the following meanings -

AME ..... **Above-market earnings on deferred compensation**
ESP ..... **Employee Savings Plan**
ESOP ..... **Employee Stock Ownership Plan**
SBP ..... **Supplemental Benefit Plan**
ERISA ..... **Employee Retirement Income Security Act**

ALABAMA
SUMMARY COMPENSATION TABLE

		ANNUAL COMPENSATION			LONG-TERM COMPENSATION		
Name and Principal Position	**Year**	**Salary($)**	**Bonus($)**	**Other Annual Compensation ($)[1]**	**Number of Securities Underlying Stock Options (Shares)**	**Long-Term Incentive Payouts ($)[2]**	**All Other Compensation ($)[3]**
Elmer B. Harris							
President,							
Chief Executive	1996	480,310	72,697	7,112	31,608	439,508	25,068
Officer,	1995	458,940	74,204	5,956	32,170	494,437	26,058
Director	1994	436,280	96,711	13,882	31,441	236,042	24,467
Banks H. Farris	1996	235,255	32,390	7,829	9,730	155,313	12,161
Executive Vice	1995	221,405	76,182	4,239	9,856	174,727	11,889
President	1994	203,508	38,828	52,567	8,331	41,134	9,864
Charles D. McCrary	1996	215,762	29,906	3,198	8,984	126,075	11,530
Executive Vice	1995	206,400	69,380	2,549	9,188	141,834	11,071
President	1994	189,718	35,459	4,254	7,767	38,195	10,260

See next page for footnotes.

ALABAMA
SUMMARY COMPENSATION TABLE
(Continued)

Name and Principal Position	Year	ANNUAL COMPENSATION Salary($)	Bonus($)	Other Annual Compensation ($)[1]	LONG-TERM COMPENSATION Number of Securities Underlying Stock Options (Shares)	Long-Term Incentive Payouts ($)[2]	All Other Compensation ($)[3]
William B. Hutchins, III							
Executive Vice President, Chief Financial Officer	1996	209,213	28,806	3,029	8,654	115,169	10,853
	1995	199,164	69,841	1,180	8,850	129,565	11,088
	1994	184,995	26,993	1,289	7,551	35,138	9,650

1 Tax reimbursement by ALABAMA and certain personal benefits, including membership fee of $44,014 for Mr. Farris in 1994

2 Payouts made in 1995, 1996 and 1997 for the four-year performance periods ending December 31, 1994, 1995 and 1996 respectively.

3 ALABAMA contributions to the ESP, ESOP, and non-pension related accruals under the SBP (ERISA excess plan under which accruals are made to offset Internal Revenue Code imposed limitations under the ESP and ESOP for the following -

Name	ESP	ESOP	SBP
Elmer B. Harris	$6,750	$1,127	$17,191
Banks H. Farris	6,750	1,127	4,284
Charles D. McCrary	6,750	1,127	3,653
William B. Hutchins, III	6,750	1,127	2,976

GEORGIA
SUMMARY COMPENSATION TABLE

Name and Principal Position	Year	ANNUAL COMPENSATION Salary($)	Bonus($)	Other Annual Compensation ($)[1]	LONG-TERM COMPENSATION Number of Securities Underlying Stock Options (Shares)	Long-Term Incentive Payouts ($)[2]	All Other Compensation ($)[3]
H. Allen Franklin							
President,	1996	482,658	73,269	10,997	31,853	498,688	27,334
Chief Executive	1995	456,366	82,935	3,936	31,960	561,024	25,493
Officer, Director	1994	415,954	87,763	30,078	31,386	203,201	100,201
William G. Hairston, III	1996	308,789	46,748	3,555	15,583	257,040	17,070
Executive	1995	296,988	47,489	6,020	15,785	289,170	16,442
Vice President	1994	287,831	44,521	3,225	15,725	81,662	14,593
Warren Y. Jobe Executive Vice President, Treasurer,	1996	227,496	26,749	4,308	9,404	126,075	12,479
Chief Financial	1995	220,152	31,000	1,994	9,710	141,834	12,248
Officer, Director	1994	215,809	27,579	2,744	8,610	56,635	11,736
Gene R. Hodges	1996	221,708	26,209	1,783	9,214	126,075	12,193
Executive	1995	214,502	32,000	1,978	9,514	141,834	11,160
Vice President	1994	204,190	27,579	4,601	8,196	52,188	11,093
Robert H. Haubein, Jr.	1996	211,010	29,681	2,081	8,757	115,169	11,740
Senior Vice	1995	199,759	34,000	1,623	8,871	129,565	10,825
President	1994	184,470	32,391	3,115	7,165	34,836	9,924

1 Tax reimbursement by GEORGIA on certain personal benefits

2 Payouts made in 1995, 1996 and 1997 for the four-year performance periods ending December 31 1994 1995 and 1996, respectively

3 GEORGIA contributions to the ESP, ESOP, and non-pension related accruals under the SBP (ERISA excess plan under which accruals are made to offset Internal Revenue Code imposed limitations under the ESP and ESOP) for the following -

Name	ESP	ESOP	SBP
H. Allen Franklin	$6,750	$ 127	$19,457
William G. Hairston, III	6,750	1,127	9,193
Warren Y. Jobe	6,750	1,127	1,599
Gene R. Hodges	6,750	1,127	4,316
Robert H. Haubein, Jr.	7,031	1,127	3,582

GULF
SUMMARY COMPENSATION TABLE

Name and Principal Position	Year	ANNUAL COMPENSATION Salary($)	Bonus($)	Other Annual Compensation ($)[1]	LONG-TERM COMPENSATION Number of Securities Underlying Stock Options (Shares)	Long-Term Incentive Payouts ($)[2]	All Other Compensation ($)[3]
Travis J. Bowden							
President,	1996	297,685	29,950	1,560	14,975	207,322	14,950
Chief Executive	1995	289,749	29,077	4,663	15,464	233,237	16,679
Officer, Director	1994	282,513	42,849	42,015	15,134	86,730	115,241
G. Edison							
Holland, Jr.	1996	18 59	18,584	2,969	7,677	91,977	9,940
Vice President,	1995	177,682	16,718	2,463	7,851	103,474	9,491
Corporate Counsel	1994	172,092	21,352	1,512	6,893	18,888	9,307
Arlan E. Scarbrough	1996	173 719	17,512	1,514	7,234	84 047	9,420
Vice President	1995	167,568	16,718	722	7,398	94 553	8,556
	1994	163,548	19,511	1,185	-	25,889	8,612
John E. Hodges, Jr.	1996	171,688	17,297	1,415	7,145	91 977	9,405
Vice President	1995	164,738	16,718	2,272	7,307	103,474	9 040
	1994	156,831	21,352	1,999	5,455	37,776	8,733
Francis M.							
Fisher, Jr.	1996	151,236	15,352	459	5,674	84,047	8 177
Vice President	1995	141,389	16,718	510	5,603	94,553	7,694
	1994	135,307	17,812	586	-	23,635	5,576

1 Tax reimbursement by GULF on certain personal benefits

2 Payouts made in 1995, 1996 and 1997 for the four-year performance periods ending December 31, 1994, 1995 and 1996, respectively.

3 G F contributions to the ESP, ESOP, and non-pension related accruals under the SBP (ERISA excess plan under which accruals are made to offset Internal Revenue Code imposed limitations under the ESP and ESOP) for the following -

Name	ESP	ESOP	SBP
Travis J Bowden	$6,750	$1,127	$7,073
G Edison Holland Jr	6,750	1,127	2,063
Arlan E Scarbrough	6,703	1,127	1,590
John E Hodges, Jr	6,750	1,127	1,528
Francis M Fisher, Jr	6,681	1,127	369

MISSISSIPPI
SUMMARY COMPENSATION TABLE

		ANNUAL COMPENSATION			LONG-TELM COMPENSATION		
Name and Principal Position	Year	Salary($)	Bonus($)	Other Annual Compensation ($)[1]	Number of Securities Underlying Stock Options (Shares)	Long-Term Incentive Payouts ($)[2]	All Other Compensation ($)[3]
Dwight H. Evans							
Presic.nt. Chief	1996	253,006	35,923	3,519	12,830	126,075	13,824
Executive	1995	233,069	42,965	2,746	10,486	141,834	34,139
Officer, Director	1994	215,887	35,459	2,318	8,610	56,635	11,812
H. E. Blakeslee	1996	190,429	25,664	224	7,572	91,977	9,885
Vice President	1995	168,651	29,358	952	7,598	103,474	7,161
	1994	156,204	23,806	1,055	5,509	37,776	8,494
Don E. Mason	1996	186,670	25,148	125	7,420	84,047	9,587
Vice President	199.	163,901	29,358	794	7,445	94,553	8,830
	1994	150,162	22,069	686	-	25,889	8,080
Michael W. Southern[4]							
Vice President,							
Chief Financial	1996	155,027	20,740	2,841	5,475	65,768	7,865
Officer, Secretary,	1995	133,505	24,467	344	4,847	73,989	19,806
Treasurer	1994	-	-	-	-		-
Frederick D.	1996	152,134	20,447	505	5,398	65,768	7,776
Kuester	1995	136,723	24,467	714	4,779	73,989	7,300
Vice President	1994	127,590	16,481	1,781	-	16,588	19,121

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1 Tax reimbursement by MISSISSIPPI on certain personal benefits

2 Payouts made in 1995, 1996 and 1997 for the four-year performance periods ending December 31, 1994, 1995 and 1996, respectively.

3 MISSISSIPPI contributions to the ESP, ESOP, and non-pension related accruals under the SBP (ERISA excess plan under which accruals are made to offset Internal Revenue Code imposed limitations under the ESP and ESOP) for the following -

Name	ESP	ESOP	SBP
Dwight H. Evans	$6,750	$1,127	$5,947
H. E. Blakeslee	6,750	1,127	2,008
Don E. Mason	6,750	1,127	1,710
Michael W. Southern	6,590	1,127	148
Frederick D. Kuester	6,500	1,127	149

In 1994, Mr. Evans and Mr. Southern received a one-time lump-sum payment of $22,102 and $12,440, respectively, given in connection with their appointment to their current positions.

4 Mr. Southern was named an executive officer effective January 1, 1995

SAVANNAH
SUMMARY COMPENSATION TABLE

		ANNUAL COMPENSATION			LONG-TERM COMPENSATION		
Name and Principal Position	Year	Salary($)	Bonus($)	Other Annual Compensation ($)[1]	Number of Securities Underlying Stock Options (Shares)	Long-Term Incentive Payouts ($)[2]	All Other Compensation ($)[3]
Arthur M. Gignilliat, Jr.							
President,	1996	218,208	26,371	1,104	9,077	151,382	25,705
Chief Executive	1995	211,385	31,847	492	9,327	170,305	21,323
Officer, Director	1994	206,964	37,384	194	8,253	76,164	18,617
Larry M. Porter	1996	138,931	16,740	421	4,560	65,768	9,814
Vice President	1995	134,687	18,100	256	4,701	73,989	8,718
	1994	130,619	15,249	198	-	15,070	7,561
W. Miles Greer	1996	131,203	16,225	322	4,261	60,636	9,631
Vice President	1995	125,891	18,225	355	4,393	68,215	8,376
	1994	122,153	14,050	198	-	14,527	7,642
Kirby R. Willis							
Vice President,	1996	122,110	15,505	674	3,924	60,636	8,761
Chief Financial	1995	115,632	18,225	256	4,038	68,215	7,444
Officer, Treasurer	1994	111,653	14,207	46	-	8,257	6,840

[1] Tax reimbursement by SAVANNAH on certain personal benefits

[2] Payouts made in 1995, 1996 and 1997 for the four-year performance periods ending December 31, 1994, 1995 and 1996, respectively

[3] SAVANNAH contributions to the ESP, under Section 401(k) of the Internal Revenue Code, ESOP and AML for the following -

Name	ESP	ESOP	AML
Arthur M. Gignilliat	$6,750	$1,127	$17,828
Larry M. Porter	5,359	1,127	3,328
W. Miles Greer	5,039	1,127	3,465
Kirby R. Willis	5,292	1,038	2,435

STOCK OPTION GRANTS IN 1996

Stock Option Grants. The following table sets forth all stock option grants to the named executive officers of each operating subsidiary during the year ending December 31, 1996.

	Individual Grants				Grant Date Value
Name	# of Securities Underlying Options Granted[1]	% of Total Options Granted to Employees in Fiscal Year[2]	Exercise or Base Price ($/Sh)[1]	Expiration Date[1]	Grant Date Present Value($)[3]
ALABAMA					
Elmer B. Harris	31,608	2.2	23.00	04/15/2006	115,369
Banks H. Farris	9,730	0.7	23.00	6/01/2003	34,444
Charles D. McCrary	8,984	0.6	23.00	04/15/2006	32,792
William B. Hutchins, III	8,654	0.6	23.00	04/15/2006	31,587
GEORGIA					
H. Allen Franklin	31,853	2.2	23.00	04/15/2006	116,263
William G. Hairston, III	15,583	1.1	23.00	04/15/2006	56,878
Warren Y. Jobe	9,404	0.6	23.00	04/15/2006	34,325
Gene R. Hodges	9,214	0.6	23.00	04/15/2006	33,631
Robert H. Haubein, Jr.	3,757	0.6	23.00	04/15/2006	31,963
GULF					
Travis J. Bowden	14,975	1.0	23.00	04/15/2006	54,659
G. Edison Holland, Jr.	7,677	0.5	23.00	04/15/2006	28,021
Arlan E. Scarbrough	7,234	0.5	23.00	11/01/2004	26,115
John E. Hodges, Jr.	7,145	0.5	23.00	04/15/2006	26,079
Francis M. Fisher, Jr.	5,674	0.4	23.00	04/15/2006	20,710

See next page for footnotes.

STOCK OPTION GRANTS IN 1996

	Individual Grants				Grant Date Value
Name	# of Securities Underlying Options Granted[1]	% of Total Options Granted to Employees in Fiscal Year[2]	Exercise or Base Price ($/Sh)[1]	Expiration Date[1]	Grant Date Present Value($)[3]
MISSISSIPPI					
Dwight H. Evans	12,830	0.9	23.00	04/15/2006	46,830
H. E. Blakeslee	7,572	0.5	23.00	04/15/2006	27,638
Don E. Mason	7,420	0.5	23.00	04/15/2006	27,083
Michael W. Southern	5,475	0.4	23.00	04/15/2006	19,984
Frederick D. Kuester	5,398	0.4	23.00	04/15/2006	19,703
SAVANNAH					
Arthur M. Gignilliat, Jr.	9,077	0.6	23.00	09/03/2000	28,683
Larry M. Porter	4,560	0.3	23.00	04/15/2006	16,644
W. Miles Greer	4,261	0.3	23.00	04/15/2006	15,553
Kirby R. Willis	3,924	0.3	23.00	04/15/2006	14,323

1 Grants were made on April 15, 1996, and vest 25% per year on the anniversary date of the grant. Grants fully vest upon termination incident to death, disability, or retirement. The exercise price is the average of the high and low fair market value of SOUTHERN's common stock on the date granted. In accordance with the terms of the Executive Stock Plan, Mr. Farris' unexercised options expire on June 1, 2003, three years after his normal retirement date. Mr. Scarbrough's unexercised options expire on November 1, 2004, three years after his normal retirement date, and Mr. Gignilliat's unexercised options expire on September 3, 2000, three years after his normal retirement date.

2 A total of 1,460,731 stock options were granted in 1996 to key executives participating in SOUTHERN's Executive Stock Plan.

3 Based on the Black-Scholes option valuation model. The actual value, if any, an executive officer may realize ultimately depends on the market value of SOUTHERN's common stock at a future date. This valuation is provided pursuant to SEC disclosure rules. There is no assurance that the value realized will be at or near the value estimated by the Black-Scholes model. Assumptions used to calculate this value: price volatility - 18.627%; risk-free rate of return - 6.51%; dividend yield - 5.48%; and time to exercise - 10 years.

AGGREGATED STOCK OPTION EXERCISES IN 1996 AND YEAR-END OPTION VALUES

Aggregated Stock Option Exercises. The following table sets forth information concerning options exercised during the year ending December 31, 1996, by the named executive officers and the value of unexercised options held by them as of December 31, 1996.

Name	Shares Acquired on Exercise (#)	Value Realized($)[2]	Number of Securities Underlying Unexercised Options at Fiscal Year-End (#) Exercisable/ Unexercisable	Value of Unexercised In-the-Money Options at Fiscal Year-End($)[1] Exercisable/ Unexercisable
ALABAMA				
Elmer B. Harris	-	-	120,265/78,180	657,199/92,536
Banks H. Farris	-	-	18,261/22,864	56,021/25,231
Charles D. McCrary	-	-	16,113/21,228	48,101/23,522
William B. Hutchins, III	-	-	16,061/20,542	48,197/22,871
GEORGIA				
H. Allen Franklin	-	-	90,733/77,368	458,476/91,048
William G. Hairston, III	-	-	18,817/38,231	40,646/45,468
Warren Y. Jobe	-	-	21,293/22,862	78,175/26,056
Gene R. Hodges	-	-	17,422/22,168	60,499/24,922
Robert H. Haubein, Jr.	-	-	16,992/20,497	52,277/22,204
GULF				
Travis J. Bowden	-	-	51,315/37,200	265,382/44,277
G. Edison Holland, Jr.	-	-	15,378/18,473	46,373/20,868
Arlan E. Scarbrough	-	-	1,849/12,783	1,849/5,549
John E. Hodges, Jr.	-	-	13,050/16,499	39,826/17,321
Francis M. Fisher, Jr.	-	-	1,400/9,877	1,400/4,203

See next page for footnotes.

AGGREGATED STOCK OPTION EXERCISES IN 1996 AND YEAR-END OPTION VALUES

Name	Shares Acquired on Exercise (#)	Value Realized($)[2]	Number of Securities Underlying Unexercised Options at Fiscal Year-End (#) Exercisable/ Unexercisable	Value of Unexercised In-the-Money Options at Fiscal Year-End($)[1] Exercisable/ Unexercisable
MISSISSIPPI				
Dwight H. Evans	-	-	21,316/26,875	76,831/26,645
H. E. Blakeslee	-	-	13,513/17,218	41,198/17,706
Don E. Mason	-	-	1,861/13,004	1,861/5,584
Michael W. Southern	-	-	1,211/9,111	1,211/3,636
Frederick D. Kuester	-	-	1,194/8,983	1,194/3,585
SAVANNAH				
Arthur M. Gignilliat, Jr.	-	-	42,773/22,000	270,024/25,003
Larry M. Porter	-	-	1,175/8,086	1,175/3,526
W. Miles Greer	-	-	1,098/7,556	1,098/3,295
Kirby R. Willis	-	-	1,009/6,953	1,009/3,029

1 This represents the excess of the fair market value of SOUTHERN's common stock of $22.625 per share, as of December 31, 1996, above the exercise price of the options. One column reports the "value" of options that are vested and therefore could be exercised; the other the "value" of options that are not vested and therefore could not be exercised as of December 31, 1996.

2 The "Value Realized" is ordinary income, before taxes, and represents the amount equal to the excess of the fair market value of the shares at the time of exercise over the exercise price

LONG-TERM INCENTIVE PLANS - AWARDS IN 1996

Long-Term Incentive Plans. The following table sets forth the long-term incentive plan awards made to the named executive officers for the performance period January 1, 1996 through December 31, 1999.

Name	Number of Units (#)[1]	Performance or Other Period Until Maturation or Payout	Estimated Future Payouts under Non-Stock Price-Based Plans		
			Threshold ($)[2]	Target ($)[2]	Maximum ($)[2]
ALABAMA					
Elmer B. Harris	280,184	4 years	140,092	280,184	560,368
Banks H. Farris	108,335	4 years	54,168	108,335	216,670
Charles D. McCrary	80,251	4 years	40,126	80,251	160,502
William B. Hutchins, III	80,251	4 years	40,126	80,251	160,502
GEORGIA					
H. Allen Franklin	317,913	4 years	158,957	317,913	635,826
William G. Hairston, III	163,866	4 years	81,933	163,866	327,732
Warren Y. Jobe	80,251	4 years	40,126	80,251	160,502
Gene R. Hodges	80,251	4 years	40,126	80,251	160,502
Robert H. Haubein, Jr.	80,251	4 years	40,126	80,251	160,502
GULF					
Travis J. Bowden	132,168	4 years	66,084	132,168	264,336
G. Edison Holland, Jr.	58,514	4 years	29,257	58,514	117,028
Arlan E. Scarbrough	58,514	4 years	29,257	58,514	117,028
John E. Hodges, Jr.	58,514	4 years	29,257	58,514	117,028
Francis M. Fisher, Jr.	58,514	4 years	29,257	58,514	117,028

See next page for footnotes

LONG-TERM INCENTIVE PLANS - AWARDS IN 1996

Name	Number of Units (#)[1]	Performance or Other Period Until Maturation or Payout	Estimated Future Payouts under Non-Stock Price-Based Plans: Threshold ($)[2]	Target ($)[2]	Maximum ($)[2]
MISSISSIPPI					
Dwight H. Evans	132,168	4 years	66,084	132,168	264,336
H. E. Blakeslee	58,514	4 years	29,257	58,514	117,028
Don E. Mason	58,514	4 years	29,257	58,514	117,028
Michael W. Southern	41,800	4 years	20,900	41,800	83,600
Frederick D. Kuester	41,800	4 years	20,900	41,800	83,600
SAVANNAH					
Arthur M. Gignilliat, Jr.	96,504	4 years	48,252	96,504	193,008
Larry M. Porter	41,800	4 years	20,900	41,800	83,600
W. Miles Greer	41,800	4 years	20,900	41,800	83,600
Kirby R. Willis	41,800	4 years	20,900	41,800	83,600

1 A performance unit is a method of assigning a dollar value to a performance award opportunity. The actual number of units granted to a participant will be based on an award percentage of an individual's base salary range control mid-point at the beginning of the performance period.

2 The threshold, target and maximum value of a unit is $0.50, $1.00, and $2.00, respectively, and can vary based on SOUTHERN's return on common equity relative to a selected group of electric and gas utilities in the Southeastern United States. If certain minimum performance relative to the selected group is not achieved, there will be no payout, nor is there a payout if the current earnings of SOUTHERN are not sufficient to fund the dividend rate paid in the last calendar year. All awards are payable in cash at the end of the performance period.

DEFINED BENEFIT OR ACTUARIAL PLAN DISCLOSURE

Pension Plan Table. The following table sets forth the estimated combined annual pension benefits under the pension and supplemental defined benefit plans in effect during 1996 for ALABAMA, GEORGIA, GULF and MISSISSIPPI. Employee compensation covered by the pension and supplemental benefit plans for pension purposes is limited to the average of the highest three of the final 10 years' base salary and wages (reported under column titled "Salary" in the Summary Compensation Tables on pages III-13 through III-18).

The amounts shown in the table were calculated according to the final average pay formula and are based on a single life annuity without reduction for joint and survivor annuities (although married employees are required to have their pension benefits paid in one of various joint and survivor annuity forms, unless the employee elects otherwise with the spouse's consent) or computation of the Social Security offset which would apply in most cases. This offset amounts to one-half of the estimated Social Security benefit (primary insurance amount) in excess of $3,000 per year times the number of years of accredited service, divided by the total possible years of accredited service to normal retirement age

	Years of Accredited Service					
Remuneration	**15**	**20**	**25**	**30**	**35**	**40**
$ 50,000	$ 12,750	$ 17,000	$ 21,250	$ 25,500	$ 29,750	$ 34,000
$100,000	25,500	34,000	42,500	51,000	59,500	68,000
$300,000	76,500	102,000	127,500	153,000	178,500	204,000
$500,000	127,500	170,000	212,500	255,000	297,500	340,000
$700,000	178,500	238,000	297,500	357,000	416,500	476,000
$800,000	204,000	272,000	340,000	408,000	476,000	544,000

As of December 31, 1996, the applicable compensation levels and years of accredited service are presented in the following tables.

ALABAMA

Name	Compensation Level	Accredited Years of Service
Elmer B. Harris	$462,672	38
Banks H. Farris	223,188	37
Charles D. McCrary	207,360	22
William B. Hutchins, III	200,328	30

GEORGIA

Name	Compensation Level	Accredited Years of Service
H. Allen Franklin	$462,660	25
William G. Hairston, III	301,752	28
Warren Y. Jobe	221,784	25
Gene R. Hodges	215,292	32
Robert H. Haubein, Jr.	201,684	29

GULF

Name	Compensation Level	Accredited Years of Service
Travis J. Bowden	$291,972	30[1]
G. Edison Holland, Jr.	179,340	14[1]
Arlan E. Scarbrough	169,272	33
John E. Hodges, Jr.	165,900	30
Francis M. Fisher, Jr.	144,288	25

MISSISSIPPI

Name	Compensation Level	Accredited Years of Service
Dwight H Evans	$237,324	25
H. E. Blakeslee	172,068	31
Don E. Mason	167,640	30
Michael W. Southern	137,436	21
Frederick D. Kuester	138,768	24

SAVANNAH has in effect a qualified, trusteed, noncontributory, defined benefit pension plan which provides pension benefits to employees upon retirement at the normal retirement age after designated periods of accredited service and at a specified compensation level. The plan provides pension benefits under a formula which includes each participant's years of service with the Southern system and average annual earnings of the highest three of the final 10 years of service with the Southern system preceding retirement. Plan benefits are reduced by a portion of the benefits participants are entitled to receive under Social Security. The plan provides for reduced early retirement benefits at age 55 and a pension for the surviving spouse equal to one-half of the deceased retiree's pension.

[1] The number of accredited years of service includes 10 years credited to both Mr Bowden and Mr Holland pursuant to individual supplemental pension agreements.

As of December 31, 1996, the applicable compensation levels and years of accredited service are presented in the following table:-

SAVANNAH

Name	Compensation Level	Accredited Years of Service
Arthur M. Gignilliat	$212,953	36
Larry M. Porter	135,254	19
W. Miles Greer	126,998	12
Kirby R. Willis	116,929	22

SAVANNAH has in effect a voluntary deferred compensation plan for certain executive employees pursuant to which such employees may defer a portion of their respective annual salaries. In addition, SAVANNAH has a supplemental executive retirement plan for certain of its executive employees. The deferred compensation plan is designed to provide supplemental retirement or survivor benefit payments. The supplemental executive retirement plan is also designed to provide retiring executives of SAVANNAH with a supplemental retirement benefit, which, in conjunction with social security and benefits under SAVANNAH's qualified pension plan, will equal 70 percent of the highest three of the final 10 years' average annual compensation (including deferrals under the deferred compensation plan). Both of these plans are unfunded and the liability is payable from general funds of SAVANNAH. The deferred compensation plan became effective December 1, 1983, and all of SAVANNAH's executive officers are participating in the plan. In addition, all executives are participating in the supplemental executive retirement plan.

In order to provide for its liabilities under the deferred compensation plan and the supplemental executive retirement plan, SAVANNAH has purchased life insurance on participating executive employees in actuarially determined amounts which, based upon assumptions as to mortality experience, policy dividends, tax effects, and other factors which, if realized, along with compensation deferred by employees and the death benefits payable to SAVANNAH, are expected to cover all such insurance premium payments, and all benefit payments to participants, plus a factor for the cost of funds of SAVANNAH.

The following table sets forth the estimated combined annual pension benefits under the pension plan and supplemental executive retirement plan in effect during 1996 which are payable by SAVANNAH to executives upon retirement at the normal retirement age after designated periods of accredited service and at a specified compensation level.

Remuneration	Years of Accredited Service 15	25	35
$ [illegible],000	$ 63,000	$ 63,000	$ 63,000
$120,000	84,000	84,000	84,000
$150,000	105,000	105,000	105,000
$180,000	126,000	126,000	126,000
$210,000	147,000	147,000	147,000
$260,000	182,000	182,000	182,000

Compensation of Directors.

Standard Arrangements. The following table presents compensation paid to the directors, during 1996 for service as a member of the board of directors and any board committee(s), except that employee directors received no fees or compensation for service as a member of the board of directors or any board committee. All or a portion of these fees may be deferred until membership on the board is terminated

	ALABAMA	GEORGIA	GULF	MISSISSIPPI	SAVANNAH
Retainer Fee	$20,000	$23,000	$12,000	$12,000	$12,000
Meeting Fee	900	900	750	750	750
Committees:					
Audit	900	900	750	750	750
Compensation	900	900	750	750	750
Executive	900	900	-	-	750
Finance	-	900	-	750	-
Nominating	900	-	-	-	-
Nuclear Safety	900	-	-	-	-
Nuclear Operations Overview	-	1,800	-	-	-

Effective January 1, 1997, the Outside Directors Pension Plan (the "Plan") was terminated and benefits payable under the Plan were frozen. Non-employee directors serving as of January 1, 1997, have a one-time election to receive a Plan benefit buy-out equal to the actuarial present value of future Plan benefits or receive benefits under the terms of the Plan at the annual retainer rate in effect on December 31, 1996. Directors who elect to receive the benefit buy-out must defer receipt until membership on the board is terminated. Directors who elect to continue to participate under the terms of the Plan are entitled to benefits upon retirement from the board on the retirement date designated in the respective companies' by-laws. The annual benefit payable is based upon length of service and varies from 75 percent of the annual retainer in effect on December 31, 1996, if the participant has at least 60 months of service on the board of one or more system companies, to 100 percent if the participant has at least 120 months of such service. Payments continue for the greater of the lifetime of the participant or 10 years.

Other Arrangements. No director received other compensation for services as a director during the year ending December 31, 1996 in addition to or in lieu of that specified by the standard arrangements specified above.

Employment Contracts and Termination of Employment and Change in Control Arrangements.

None.

Report on Repricing of Options.

None

Additional Information with Respect to Compensation Committee Interlocks and Insider Participation in Compensation Decisions.

ALABAMA

Elmer B. Harris serves on the Compensation Committee of AmSouth Bancorporation. John W. Woods, a director of ALABAMA, served as Chairman of AmSouth Bancorporation during 1996.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

Security ownership of certain beneficial owners. SOUTHERN is the beneficial owner of 100% of the outstanding common stock of registrants: ALABAMA, GEORGIA, GULF, MISSISSIPPI and SAVANNAH.

Title of Class	Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership	Percent of Class
Common Stock	The Southern Company 270 Peachtree Street, N.W. Atlanta, Georgia 30303		100%
	Registrants:		
	ALABAMA	5,608,955	
	GEORGIA	7,761,500	
	GULF	992,717	
	MISSISSIPPI	1,121,000	
	SAVANNAH	10,844,635	

Security ownership of management. The following table shows the number of shares of SOUTHERN common stock and operating subsidiary preferred stock owned by the directors, nominees and executive officers as of December 31, 1996. It is based on information furnished by the directors, nominees and executive officers. The shares owned by all directors, nominees and executive officers as a group constitute less than one percent of the total number of shares of the respective classes outstanding on December 31, 1996.

Name of Directors, Nominees and Executive Officers	Title of Class	Number of Shares Beneficially Owned[1,2]
ALABAMA		
Whit Armstrong	SOUTHERN Common	14,974
A. William Dahlberg	SOUTHERN Common	182,190
Peter V. Gregerson, Sr.	SOUTHERN Common	279
Bill M. Guthrie	SOUTHERN Common	128,855
Elmer B. Harris	SOUTHERN Common	170,780
Carl E. Jones, Jr.	SOUTHERN Common	9,764

Name of Directors, Nominees and Executive Officers	Title of Class	Number of Shares Beneficially Owned[1,2]
William V. Muse	SOUTHERN Common	279
John T. Porter	SOUTHERN Common	667
Gerald H. Powell	SOUTHERN Common	5,883
Robert Davis Powers	SOUTHERN Common	279
John W. Rouse, Jr.	SOUTHERN Common	4,011
William J. Rushton, III	SOUTHERN Common ALABAMA Preferred	6,927 20
James H. Sanford	SOUTHERN Common	262
John C. Webb, IV	SOUTHERN Common ALABAMA Preferred	18,799 136
John W. Woods	SOUTHERN Common	34
Banks H. Farris	SOUTHERN Common	27,521
William B. Hutchins, III	SOUTHERN Common	37,299
Charles D. McCrary	SOUTHERN Common	22,606
The directors, nominees, and executive officers as a group	SOUTHERN Common ALABAMA Preferred	631,409 156
GEORGIA		
Bennett A. Brown	SOUTHERN Common	398
A. William Dahlberg	SOUTHERN Common	182,190

Name of Directors, Nominees and Executive Officers	Title of Class	Number of Shares Beneficially Owned[1,2]
W. A. Fickling, Jr.	SOUTHERN Common	699
	GEORGIA Preferred	50
H. Allen Franklin	SOUTHERN Common	114,757
L. G. Hardman III	SOUTHERN Common	8,250
Warren Y. Jobe	SOUTHERN Common	50,212
	GEORGIA Preferred	403
James R. Lientz, Jr.	SOUTHERN Common	282
W. A. Parker, Jr.	SOUTHERN Common	27,000
	GEORGIA Preferred	2
G. Joseph Prendergast	SOUTHERN Common	398
Herman J. Russell	SOUTHERN Common	8,414
Gloria M. Shatto	SOUTHERN Common	15,832
	GEORGIA Preferred	1,200
W. J. Vereen	SOUTHERN Common	5,493
	GEORGIA Preferred	3,301
Carl Ware	SOUTHERN Common	342
Thomas R. Williams	SOUTHERN Common	240
	GEORGIA Preferred	1,000
William G. Hairston, III	SOUTHERN Common	36,912
Robert H. Haubein, Jr.	SOUTHERN Common	23,678
Gene R. Hodges	SOUTHERN Common	47,700
	GEORGIA Preferred	800
The directors, nominees and executive officers as a group	SOUTHERN Common	620,124
	GEORGIA Preferred	6,756

Name of Directors, Nominees and Executive Officers	Title of Class	Number of Shares Beneficially Owned[1,2]
GULF		
Travis J. Bowden	SOUTHERN Common	31,563
Paul J. DeNicola	SOUTHERN Common	85,643
Fred C. Donovan	SOUTHERN Common	239
W. Deck Hull, Jr.	SOUTHERN Common	2,529
Joseph K. Tannehill	SOUTHERN Common	4,239
Francis M Fisher, Jr.	SOUTHERN Common GULF Preferred	6,663 2
John E. Hodges, Jr.	SOUTHERN Common GULF Preferred	35,179 3
G. Edison Holland, Jr.	SOUTHERN Common	16,874
Arlan E. Scarbroug..	SOUTHERN Common	23,344
The directors, nominees and executive officers as a group	SOUTHERN Common GULF Preferred	256,273 5
MISSISSIPPI		
Paul J. DeNicola	SOUTHERN Common	85,643
Edwin E. Downer	SOUTHERN Common	2,156
Dwight H. Evans	SOUTHERN Common GEORGIA Preferred MISSISSIPPI Preferred	40,340 200 100
Robert S. Gaddis	SOUTHERN Common	2,632

Name of Directors, Nominees and Executive Officers	Title of Class	Number of Shares Beneficially Owned[1,2]
Walter H. Hurt, III	SOUTHERN Common	1,130
	MISSISSIPPI Preferred	33
Aubrey K. Lucas	SOUTHERN Common	1,675
George A. Schloegel	SOUTHERN Common	127
Philip J. Terrell	SOUTHERN Common	689
N. Eugene Warr	SOUTHERN Common	472
H. E. Blakeslee	SOUTHERN Common	24,097
Frederick D. Kuester	SOUTHERN Common	6,236
Don E. Mason	SOUTHERN Common	22,286
Michael W. Southern	SOUTHERN Common	6,047
The directors, nominees and executive officers as a group	SOUTHERN Common	193,530
	GEORGIA Preferred	200
	MISSISSIPPI Preferred	133
SAVANNAH		
Helen Quattlebaum Artley	SOUTHERN Common	2,654
Paul J. DeNicola	SOUTHERN Common	85,643
Arthur M. Gignilliat, Jr.	SOUTHERN Common	66,722
Walter D. Gnann	SOUTHERN Common	1,596
Robert B. Miller, III	SOUTHERN Common	2,316
Arnold M. Tenenbaum	SOUTHERN Common	590
Fred F. Williams	SOUTHERN Common	2,244

Name of Directors, Nominees and Executive Officers	Title of Class	Number of Shares Beneficially Owned [1,2]
W. Miles Greer	SOUTHERN Common	3,240
Larry M. Porter	SOUTHERN Common	15,678
Kirby R. Willis	SOUTHERN Common	5,538
The directors, nominees and executive officers as a group	SOUTHERN Common	186,221

Changes in control. SOUTHERN and the operating affiliates know of no arrangements which may at a subsequent date result in any change in control.

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1 As used in this table, "beneficial ownership" means the sole or shared power to vote, or to direct the voting of, a security and/or investment power with respect to a security (i.e , the power to dispose of, or to direct the disposition of, a security)

2 The shares shown include shares of SOUTHERN common stock of which certain directors and executive officers have the right to acquire beneficial ownership within 60 days pursuant to the Executive Stock Plan, as follows Mr. Blakeslee, 13,513 shares; Mr. Bowden, 51,315 shares; Mr. Dahlberg, 123,218 shares, Mr DeNicola, 52,086 shares; Mr. Ever-, 21,316 shares; Mr. Farris, 18,261 shares; Mr. Franklin, 90,733 shares, Mr Gignilliat, 42,773 shares; Mr. Greer, 1,098 shares; Mr. Guthrie, 74,833 shares; Mr. Hairston, 18,817 shares, Mr. Harris, 120,265 shares; Mr. Haubein, 16,992 shares; Mr. G. R. Hodges, 17,422 shares; Mr. J. E. Hodges, 13,050 shares; Mr Holland, 15,378 shares; Mr. Hutchins, 16,061 shares; Mr. Jobe, 21,203 shares, Mr Kuester, 1,194 shares; Mr Mason, 1,861 shares; Mr. McCrary, 16,113 shares; Mr. Porter, 1,175 shares; Mr Scarbrough, 1,849 shares, Mr Southern, 1,211 shares, and Mr. Willis, 1,009 shares. Also included are shares of SOUTHERN common stock held by the spouses of the following directors: Mr. Hardman, 100 shares, Mr. Harris, 310 shares; Mr Parker, 53 shares, Mr Powers, 50 shares; and Dr. Shatto, 12,667 shares. Also included are 1,200 shares of GEORGIA preferred stock held by Dr. Shatto's spouse.

Item 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

ALABAMA

Transactions with management and others.

Mr. Whit Armstrong is President, Chairman and Chief Executive Officer of The Citizens Bank, Enterprise, Alabama; Mr. Carl E. Jones, Jr. is President and Chief Operating Officer of Regions Bank, Birmingham, Alabama; Mr. Wallace D. Malone is Chairman and Chief Executive Officer of SouthTrust Corporation, Birmingham, Alabama. During 1996, these banks furnished a number of regular banking services in the ordinary course of business to ALABAMA. ALABAMA intends to maintain normal banking relations with all the aforesaid banks in the future.

Certain business relationships.

None

Indebtedness of management.

None.

Transactions with promoters.

None

GEORGIA

Transactions with management and others.

Mr. L. G. Hardman III is Chairman of the Board of The First National Bank of Commerce, Georgia, Mr James R. Lientz, Jr. is President of NationsBank of Georgia, Atlanta, Georgia; Mr. G. Joseph Prendergast is Chairman of Wachovia Bank of Georgia, N.A., Atlanta, Georgia, and Mr. Herman J. Russell is Chairman of the Board of Citizens Trust Bank, Atlanta, Georgia. During 1996, these banks furnished a number of regular banking services in the ordinary course of business to GEORGIA GEORGIA intends to maintain normal banking relations with all the aforesaid banks in the future.

In 1996, GEORGIA leased a building from Riverside Manufacturing Co. for approximately $77,000. Mr. William J. Vereen is Chief Executive Officer, President, Treasurer and Director of Riverside Manufacturing Co.

Certain business relationships.

None

Indebtedness of management.

None

Transactions with promoters.

None

GULF

Transactions with management and others.

Mr. W. Deck Hull, Jr. is Vice Chairman of SunTrust Bank, West Florida, Panama City, Florida. During 1996, this bank furnished a number of regular banking services in the ordinary course of business to GULF. GULF intends to maintain normal banking relations with the aforesaid bank in the future.

The firm of Beggs & Lane, P.A. serves as local counsel for GULF and received from GULF approximately $960,994 for services rendered. Mr. G. Edison Holland, Jr. is a partner in the firm and also serves as Vice President - Power Generation, Transmission and Corporate Counsel of GULF.

Certain business relationships.

None

Indebtedness of management.

None

Transactions with promoters.

None

MISSISSIPPI

Transactions with management and others.

Mr. Robert S. Gaddis is Chairman of the Advisory Board of Trustmark National Bank, Laurel, Mississippi. Mr. George A. Schloegel is President of Hancock Bank, Gulfport, Mississippi and Mr. N. Eugene Warr is a director of Coast Community Bank. During 1996, these banks furnished a number of regular banking services in the ordinary course of business to MISSISSIPPI MISSISSIPPI intends to maintain normal banking relations with the aforesaid banks in the future.

Certain business relationships.
None.

Indebtedness of management.
None.

Transactions with promoters.
None.

SAVANNAH

Transactions with management and others.
None

Certain business relationships.
None.

Indebtedness of management.
None.

Transactions with promoters.
None.

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PART IV

Item 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K

(a) The following documents are filed as a part of this report on this Form 10-K:

(1) Financial Statements:

Reports of Independent Public Accountants on the financial statements for SOUTHERN and Subsidiary Companies, ALABAMA, GEORGIA, GULF, MISSISSIPPI and SAVANNAH are listed under Item 8 herein.

The financial statements filed as a part of this report for SOUTHERN and Subsidiary Companies, ALABAMA, GEORGIA, GULF, MISSISSIPPI and SAVANNAH are listed under Item 8 herein.

(2) Financial Statement Schedules:

Reports of Independent Public Accountants as to Schedules for SOUTHERN and Subsidiary Companies, ALABAMA, GEORGIA, GULF, MISSISSIPPI and SAVANNAH are included herein on pages IV-12 through IV-17.

Financial Statement Schedules for SOUTHERN and Subsidiary Companies, ALABAMA, GEORGIA, GULF, MISSISSIPPI and SAVANNAH are listed in the Index to the Financial Statement Schedules at page S-1

(3) Exhibits:

Exhibits for SOUTHERN, ALABAMA, GEORGIA, GULF, MISSISSIPPI and SAVANNAH are listed in the Exhibit Index at page E-1

(b) Reports on Form 8-K during the fourth quarter of 1996 were as follows:

SOUTHERN filed a Current Report on Form 8-K:

Date of event: October 9, 1996
Items reported: Items 5 and 7

GULF filed a Current Report on Form 8-K

Date of event: November 6, 1996
Items reported: Items 5 and 7

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized. The signature of the undersigned company shall be deemed to relate only to matters having reference to such company and any subsidiaries thereof.

THE SOUTHERN COMPANY

By A. W. Dahlberg, Chairman, President and Chief Executive Officer

By Wayne Boston (Wayne Boston, Attorney-in-fact)

Date March 21, 1997

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated. The signature of each of the undersigned shall be deemed to relate only to matters having reference to the above-named company and any subsidiaries thereof.

A. W. Dahlberg
Chairman of the Board, President and Chief Executive Officer
(Principal Executive Officer)

W. L. Westbrook
Financial Vice President, Chief Financial Officer and Treasurer
(Principal Financial and Accounting Officer)

Directors

John C. Adams	*Elmer B. Harris*
A. D. Correll	*William A. Parker, Jr.*
Paul J. DeNicola	*William J. Rushton, III*
Jack Edwards	*Gloria M. Shatto*
H. Allen Franklin	*Gerald J. St. Pe'*
Bruce S. Gordon	*Herbert Stockham*
L. G. Hardman III	

By Wayne Boston (Wayne Boston, Attorney-in-fact)

Date March 21, 1997

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized. The signature of the undersigned company shall be deemed to relate only to matters having reference to such company and any subsidiaries thereof.

ALABAMA POWER COMPANY

By Elmer B. Harris, President and Chief Executive Officer

By Wayne Boston (Wayne Boston, Attorney-in-fact)

Date March 21, 1997

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated. The signature of each of the undersigned shall be deemed to relate only to matters having reference to the above-named company and any subsidiaries thereof.

Elmer B. Harris
President, Chief Executive Officer and Director
(Principal Executive Officer)

William B. Hutchins, III
Executive Vice President and Chief Financial Officer
(Principal Financial Officer)

David L. Whitson
Vice President and Comptroller
(Principal Accounting Officer)

Directors

Whit Armstrong	*Gerald H. Powell*
Peter V. Gregerson, Sr.	*Robert D. Powers*
Bill M. Guthrie	*John W. Rouse*
Wallace D. Malone, Jr.	*James H. Sanford*
William V. Muse	*John Cox Webb, II*
John T. Porter	

By Wayne Boston (Wayne Boston, Attorney-in-fact)

Date March 21, 1997

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized. The signature of the undersigned company shall be deemed to relate only to matters having reference to such company and any subsidiaries thereof

GEORGIA POWER COMPANY

By H. Allen Franklin, President and Chief Executive Officer

By Wayne Boston (Wayne Boston, Attorney-in-fact)

Date March 21, 1997

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated. The signature of each of the undersigned shall be deemed to relate only to matters having reference to the above-named company and any subsidiaries thereof.

H. Allen Franklin
President, Chief Executive Officer and Director
(Principal Executive Officer)

Warren Y. Jobe
Executive Vice President, Treasurer
Chief Financial Officer and Director
(Principal Financial Officer)

Cliff S. Thrasher
Vice President, Comptroller and Chief Accounting Officer
(Principal Accounting Officer)

Directors

Bennett A. Brown	*Herman J. Russell*
William L. Fickling, Jr.	*Gloria M. Shatto*
L. G. Hardman III	*William Jerry Vereen*
James R. Lientz, Jr.	*Carl Ware*
G. Joseph Prendergast	*Thomas R. Williams*

By Wayne Boston (Wayne Boston, Attorney-in-fact)

Date March 21, 1997

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized. The signature of the undersigned company shall be deemed to relate only to matters having reference to such company and any subsidiaries thereof

GULF POWER COMPANY

By Travis J. Bowden, President and Chief Executive Officer

By Wayne Boston (Wayne Boston, Attorney-in-fact)

Date March 21, 1997

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated. The signature of each of the undersigned shall be deemed to relate only to matters having reference to the above-named company and any subsidiaries thereof.

Travis J. Bowden
President, Chief Executive Officer and Director
(Principal Executive Officer)

Arlan E. Scarbrough
Vice President - Finance
(Principal Financial and Accounting Officer)

Directors

Paul J. DeNicola	*Joseph K. Tannehill*
Fred C. Donovan	*Barbara H. Thames*
W. Deck Hull, Jr.	

By Wayne Boston (Wayne Boston, Attorney-in-fact)

Date March 21, 1997

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized. The signature of the undersigned company shall be deemed to relate only to matters having reference to such company and any subsidiaries thereof.

MISSISSIPPI POWER COMPANY

By *Dwight H. Evans, President and Chief Executive Officer*

By *Wayne Boston (Wayne Boston, Attorney-in-fact)*

Date *March 21, 1997*

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated. The signature of each of the undersigned shall be deemed to relate only to matters having reference to the above-named company and any subsidiaries thereof.

Dwight H Evans
President, Chief Executive Officer and Director
(Principal Executive Officer)

Michael W. Southern
Vice President, Secretary, Treasurer and Chief Financial Officer
(Principal Financial and Accounting Officer)

Directors:

Paul J DeNicola	*Aubrey K. Lucas*
Edwin E Downer	*George A. Schloegel*
Robert S Gaddis	*Philip J. Terrell*
Walter H Hurt, III	*Gene Warr*

By *Wayne Boston (Wayne Boston, Attorney-in-fact)*

Date *March 21, 1997*

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized. The signature of the undersigned company shall be deemed to relate only to matters having reference to such company and any subsidiaries thereof.

SAVANNAH ELECTRIC AND POWER COMPANY

By *Arthur M Gignilliat, Jr , President and Chief Executive Officer*

By *Wayne Boston (Wayne Boston, Attorney-in-fact)*

Date *March 21, 1997*

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated. The signature of each of the undersigned shall be deemed to relate only to matters having reference to the above-named company and any subsidiaries thereof.

Arthur M Gignilliat, Jr
President, Chief Executive Officer and Director
(Principal Executive Officer)

Kirby R Willis
Vice President, Treasurer and Chief Financial Officer
(Principal Financial and Accounting Officer)

Directors

Helen Q Artley	*Robert B Miller III*
Archie H Davis	*Arnold M. Tenenbaum*
Paul J DeNicola	*Frederick F Williams Jr*
Walter D Gnann	

By *Wayne Boston (Wayne Boston, Attorney-in-fact)*

Date *March 21, 1997*

Exhibit 21. Subsidiaries of the Registrants.*

Name of Company	Jurisdiction of Organization
Alabama Power Company	Alabama
Alabama Power Capital Trust I	Delaware
Alabama Power Capital Trust II	Delaware
Alabama Power Capital Trust III	Delaware
Alabama Power Capital Trust IV	Delaware
Alabama Property Company	Alabama
Southern Electric Generating Company	Alabama
Georgia Power Company	Georgia
Georgia Power Capital Trust I	Delaware
Georgia Power Capital Trust II	Delaware
Georgia Power Capital Trust III	Delaware
Georgia Power L.P. Holdings Corp.	Georgia
Georgia Power Capital, L.P.	Delaware
Piedmont-Forrest Corporation	Georgia
Southern Electric Generating Company	Alabama
Gulf Power Company	Maine
Gulf Power Capital Trust I	Delaware
Gulf Power Capital Trust II	Delaware
Mississippi Power Company	Mississippi
Savannah Electric and Power Company	Georgia
SEI Holdings, Inc.	Delaware

*This information is as of December 31, 1996. In addition, the list omits certain subsidiaries pursuant to paragraph (b)(21)(ii) of Regulation S-K Item 601.

ARTHUR ANDERSEN LLP

Exhibit 23(a)

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the incorporation of our reports dated February 12, 1997 on the financial statements of The Southern Company and its subsidiaries and the related financial statement schedule, included in this Form 10-K, into The Southern Company's previously filed Registration Statement File Nos. 2-78617, 33-3546, 33-30171, 33-51433, 33-54415, 33-57951, 33-58371, 33-60427, 333-07539 and 333-09077.

Arthur Andersen LLP

Atlanta, Georgia
March 20, 1997

ARTHUR ANDERSEN LLP

Exhibit 23(b)

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the incorporation of our reports dated February 12, 1997 on the financial statements of Alabama Power Company and the related financial statement schedule, included in this Form 10-K, into Alabama Power Company's previously filed Registration Statement File Nos. 33-49[illegible], 33-61845 and 333-17333

Arthur Andersen LLP

Birmingham, Alabama
March 20, 1997

ARTHUR ANDERSEN LLP

Exhibit 23(c)

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the incorporation of our reports dated February 12, 1997 on the financial statements of Georgia Power Company and the related financial statement schedule, included in this Form 10-K, into Georgia Power Company's previously filed Registration Statement File Nos. 33-49661 and 33-60345.

Arthur Andersen LLP

Atlanta, Georgia
March 20, 1997

ARTHUR ANDERSEN LLP

Exhibit 23(d)

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the incorporation of our reports dated February 12, 1997 on the financial statements of Gulf Power Company and the related financial statement schedule, included in this Form 10-K, into Gulf Power Company's prev usly filed Registration Statement File Nos. 33-50165 and 333-19271.

Arthur Andersen LLP

Atlanta, Georgia
March 20, 1997

ARTHUR ANDERSEN LLP

Exhibit 23(e)

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the incorporation of our reports dated February 12, 1997 on the financial statements of Mississippi Power Company and the related financial statement schedule, included in this Form 10-K, into Mississippi Power Company's previously filed Registration Statement File Nos. 33-49320, 33-49649 and 333-20469

Atlanta, Georgia
March 20, 1997

Arthur Andersen LLP

ARTHUR ANDERSEN LLP

Exhibit 23(f)

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the incorporation of our reports dated February 12, 1997 on the financial statements of Savannah Electric and Power Company and the related financial statement schedule, included in this Form 10-K, into Savannah Electric and Power Company's previously filed Registration Statement File No. 33-52509.

Arthur Andersen LLP

Atlanta, Georgia
March 20, 1997

ARTHUR ANDERSEN LLP

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS AS TO SCHEDULES

To The Southern Company:

We have audited in accordance with generally accepted auditing standards, the consolidated financial statements of The Southern Company and its subsidiaries included in this Form 10-K, and have issued our report thereon dated February 12, 1997. Our audits were made for the purpose of forming an opinion on those statements taken as a whole. The schedule listed under Item 14(a)(2) herein as it relates to The Southern Company and its subsidiaries (page S-2) is the responsibility of The Southern Company's management and is presented for purposes of complying with the Securities and Exchange Commission's rules and is not part of the basic consolidated financial statements. This schedule has been subjected to the auditing procedures applied in the audits of the basic consolidated financial statements and, in our opinion, fairly states in all material respects the financial data required to be set forth therein in relation to the basic consolidated financial statements taken as a whole.

Atlanta, Georgia
February 12, 1997

Arthur Andersen LLP

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS AS TO SCHEDULES

To Alabama Power Company:

We have audited in accordance with generally accepted auditing standards, the financial statements of Alabama Power Company included in this Form 10-K, and have issued our report thereon dated February 12, 1997. Our audits were made for the purpose of forming an opinion on those statements taken as a whole. The schedule listed under Item 14(a)(2) herein as it relates to Alabama Power Company (page S-3) is the responsibility of Alabama Power Company's management and is presented for purposes of complying with the Securities and Exchange Commission's rules and is not part of the basic financial statements. This schedule has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, fairly states in all material respects the financial data required to be set forth therein in relation to the basic financial statements taken as a whole.

Arthur Andersen LLP

Birmingham, Alabama
February 12, 1997

ARTHUR ANDERSEN LLP

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS AS TO SCHEDULES

To Georgia Power Company:

We have audited in accordance with generally accepted auditing standards, the financial statements of Georgia Power Company included in this Form 10-K, and have issued our report thereon dated February 12, 1997. Our audits were made for the purpose of forming an opinion on those statements taken as a whole. The schedule listed under Item 14(a)(2) herein as it relates to Georgia Power Company (page S-4) is the responsibility of Georgia Power Company's management and is presented for purposes of complying with the Securities and Exchange Commission's rules and is not part of the basic financial statements. This schedule has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, fairly states in all material respects the financial data required to be set forth therein in relation to the basic financial statements taken as a whole

Arthur Andersen LLP

Atlanta, Georgia
February 12, 1997

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS AS TO SCHEDULES

To Gulf Power Company:

We have audited in accordance with generally accepted auditing standards, the financial statements of Gulf Power Company included in this Form 10-K, and have issued our report thereon dated February 12, 1997. Our audits were made for the purpose of forming an opinion on those statements taken as a whole. The schedule listed under Item 14(a)(2) herein as it relates to Gulf Power Company (page S-5) is the responsibility of Gulf Power Company's management and is presented for purposes of complying with the Securities and Exchange Commission's rules and is not part of the basic financial statements. This schedule has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, fairly states in all material respects the financial data required to be set forth therein in relation to the basic financial statements taken as a whole.

Arthur Andersen LLP

Atlanta, Georgia
February 12, 1997

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS AS TO SCHEDULES

To Mississippi Power Company:

We have audited in accordance with generally accepted auditing standards, the financial statements of Mississippi Power Company included in this Form 10-K, and have issued our report thereon dated February 12, 1997. Our audits were made for the purpose of forming an opinion on those statements taken as a whole. The schedule listed under Item 14(a)(2) herein as it relates to Mississippi Power Company (page S-6) is the responsibility of Mississippi Power Company's management and is presented for purposes of complying with the Securities and Exchange Commission's rules and is not part of the basic financial statements. This schedule has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, fairly states in all material respects the financial data required to be set forth therein in relation to the basic financial statements taken as a whole.

Arthur Andersen LLP

Atlanta, Georgia
February 12, 1997

ARTHUR ANDERSEN LLP

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS AS TO SCHEDULES

To Savannah Electric and Power Company:

We have audited in accordance with generally accepted auditing standards, the financial statements of Savannah Electric and Power Company included in this Form 10-K, and have issued our report thereon dated February 12, 1997. Our audits were made for the purpose of forming an opinion on those statements taken as a whole. The schedule listed under Item 14(a)(2) herein as it relates to Savannah Electric and Power Company (page S-7) is the responsibility of Savannah Electric and Power Company's management and is presented for purposes of complying with the Securities and Exchange Commission's rules and is not part of the basic financial statements. This schedule has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, fairly states in all material respects the financial data required to be set forth therein in relation to the basic financial statements taken as a whole

Atlanta, Georgia
February 12, 1997

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INDEX TO FINANCIAL STATEMENT SCHEDULES

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Schedules I through V not listed above are omitted as not applicable or not required. Columns omitted from schedules filed have been omitted because the information is not applicable or not required

THE SOUTHERN COMPANY AND SUBSIDIARY COMPANIES
SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS
FOR THE YEARS ENDED DECEMBER 31, 1996, 1995 AND 1994
(Stated in Thousands of Dollars)

Description	Balance at Beginning of Period	Additions: Charged to Income	Additions: Charged to Other Accounts	Deductions	Balance at End of Period
Provision for uncollectible accounts					
1996	$37,119	$24,768	$ 48	$30,348 (2)	$31,587
1995	9,129	30,445	23,053 (1)	25,508 (2)	37,119
1994	9,067	23,322	8	23,268 (2)	9,129

Notes:

(1) Includes the addition of a Purchased Reserve in the amount of $23,027 related to the acquisition of SWEB

(2) Represents write-off of accounts considered to be uncollectible, less recoveries of amounts previously written off

ALABAMA POWER COMPANY
SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS
FOR THE YEARS ENDED DECEMBER 31, 1996, 1995 AND 1994
(Stated in Thousands of Dollars)

Description	Balance at Beginning of Period	Additions: Charged to Income	Additions: Charged to Other Accounts	Deductions	Balance at End of Period
Provision for uncollectible accounts					
1996	$1,212	$8,214	$-	$8,255 (Note)	$1,171
1995	2,297	5,823	-	6,908 (Note)	1,212
1994	2,632	4,967	-	5,302 (Note)	2,297

Note *Represents write-off of accounts considered to be uncollectible, less recoveries of amounts previously written off*

GEORGIA POWER COMPANY
SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS
FOR THE YEARS ENDED DECEMBER 31, 1996, 1995 AND 1994

(Stated in Thousands of Dollars)

Description	Balance at Beginning of Period	Additions: Charged to Income	Additions: Charged to Other Accounts	Deductions	Balance at End of Period
Provision for uncollectible accounts					
1996	$5,000	$11,815	$-	$12,815 (Note)	$4,000
1995	4,500	15,875	-	15,375 (Note)	5,000
1994	4,300	15,424	-	15,224 (Note)	4,500

Note *Represents write-off of accounts considered to be uncollectible, less recoveries of amounts previously written off*

GULF POWER COMPANY
SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS
FOR THE YEARS ENDED DECEMBER 31, 1996, 1995 AND 1994
(Stated in Thousands of Dollars)

Description	Balance at Beginning of Period	Additions: Charged to Income	Additions: Charged to Other Accounts	Deductions	Balance at End of Period
Provision for uncollectible accounts					
1996	$768	$1,850	$7	$1,836 (Note)	$789
1995	600	1,612	3	1,447 (Note)	768
1994	447	1,195	9	1,051 (Note)	600

Note *Represents write-off of accounts considered to be uncollectible, less recoveries of amounts previously written off*

MISSISSIPPI POWER COMPANY
SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS
FOR THE YEARS ENDED DECEMBER 31, 1996, 1995 AND 1994
(Stated in Thousands of Dollars)

Description	Balance at Beginning of Period	Additions: Charged to Income	Additions: Charged to Other Accounts	Deductions	Balance at End of Period
Provision for uncollectible accounts					
1996	$802	$1,726	$41	$1,730 (Note)	$839
1995	670	1,602	23	1,493 (Note)	802
1994	737	1,234	(1)	1,300 (Note)	670

Note: *Represents write-off of accounts considered to be uncollectible, less recoveries of amounts previously written off*

SAVANNAH ELECTRIC AND POWER COMPANY
SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS
FOR THE YEARS ENDED DECEMBER 31, 1996, 1995 AND 1994
(Stated in Thousands of Dollars)

Description	Balance at Beginning of Period	Additions: Charged to Income	Additions: Charged to Other Accounts	Deductions	Balance at End of Period
Provision for uncollectible accounts					
1996	$983	$126	$-	$477 (Note)	$632
1995	866	439	-	322 (Note)	983
1994	762	419	-	315 (Note)	866

Note: *Represents write-off of accounts receivable considered to be uncollectible, less recoveries of amounts previously written off*

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EXHIBIT INDEX

The following exhibits indicated by an asterisk preceding the exhibit number are filed herewith. The balance of the exhibits have heretofore been filed with the SEC, respectively, as the exhibits and in the file numbers indicated and are incorporated herein by reference. Reference is made to a duplicate list of exhibits being filed as a part of this Form 10-K, which list, prepared in accordance with Item 601 of Regulation S-K of the SEC, immediately precedes the exhibits being physically filed with this Form 10-K.

(1) Underwriting Agreements

GEORGIA

(c) - Distribution Agreement dated November 29, 1995 between GEORGIA and Lehman Brothers Inc.; Donaldson, Lufkin & Jenrette Securities Corporation; J. P. Morgan Securities Inc.; Salomon Brothers Inc and Smith Barney Inc. relating to $300,000,000 First Mortgage Bonds Secured Medium-Term Notes. (Designated in GEORGIA's Form 10-K for the year ended December 31, 1995, as Exhibit 1(c))

(3) Articles of Incorporation and By-Laws

SOUTHERN

(a) 1 - Composite Certificate of Incorporation of SOUTHERN, reflecting all amendments thereto through January 5, 1994. (Designated in Registration No. 33-3546 as exhibit 4(a), in Certificate of Notification, File No. 70-7341, as Exhibit A and in Certificate of Notification, File No. 70-8181, as Exhibit A.)

(a) 2 - By-laws of SOUTHERN as amended effective October 21, 1991, and as presently in effect. (Designated in Form U-1, File No. 70-8181, as Exhibit A-2)

ALABAMA

(b) 1 - Charter of ALABAMA and amendments thereto through October 14, 1994. (Designated in Registration Nos. 2-59634 as Exhibit 2(b), 2-60209 as Exhibit 2(c), 2-60484 as Exhibit 2(b), 2-70838 as Exhibit 4(a)-2, 2-85987 as Exhibit 4(a)-2, 33-25539 as Exhibit 4(a)-2, 33-43917 as Exhibit 4(a)-2, in Form 8-K dated February 5, 1992, File No. 1-3164, as Exhibit 4(b)-3, in Form 8-K dated July 8, 1992, File No. 1-3164, as Exhibit 4(b)-3, in Form 8-K dated October 27, 1993, File No. 1-3164, as Exhibits 4(a) and 4(b), in Form 8-K dated November 16, 1993, File No 1-3164, as Exhibit 4(a) and in Certificate of Notification, File No. 70-8191, as Exhibit A.)

(b) 2 - By-laws of ALABAMA as amended effective July 23, 1993, and as presently in effect. (Designated in Form U-1, File No. 70-8191, as Exhibit A-2.)

GEORGIA

(c) 1 - Charter of GEORGIA and amendments thereto through October 25, 1993 (Designated in Registration Nos. 2-63392 as Exhibit 2(a)-2, 2-78913 as Exhibits 4(a)-(2) and 4(a)-(3), 2-93039 as Exhibit 4(a)-(2), 2-96810 as Exhibit 4(a)-2, 33-141 as Exhibit 4(a)-(2), 33-1359 as Exhibit 4(a)(2), 33-5405 as Exhibit 4(b)(2), 33-14367 as Exhibits 4(b)-(2) and 4(b)-(3), 33-22504 as Exhibits 4(b)-(2), 4(b)-(3) and 4(b)-(4), in GEORGIA's Form 10-K for the year ended December 31, 1991, File No. 1-6468, as Exhibits 4(a)(2) and 4(a)(3), in Registration No. 33-48895 as Exhibits 4(b)-(2) and 4(b)-(3), in Form 8-K dated December 10, 1992, File No. 1-6468 as Exhibit 4(b), in Form 8-K dated June 17, 1993, File No. 1-6468, as Exhibit 4(b) and in Form 8-K dated October 20, 1993, File No. 1-6468, as Exhibit 4(b).)

(c) 2 - By-laws of GEORGIA as amended effective July 18, 1990, and as presently in effect. (Designated in GEORGIA's Form 10-K for the year ended December 31, 1990, File No. 1-6468, as Exhibit 3.)

GULF

(d) 1 - Restated Articles of Incorporation of GULF and amendments thereto through November 8, 1993. (Designated in Registration No. 33-43739 as Exhibit 4(b)-1, in Form 8-K dated January 15, 1992, File No. 0-2429, as Exhibit 1(b), in Form 8-K dated August 18, 1992, File No. 0-2429, as Exhibit 4(b)-2, in Form 8-K dated September 22, 1993, File No. 0-2429 as Exhibit 4 and in Form 8-K dated November 3, 1993, File No. 0-2429, as Exhibit 4.)

(d) 2 - By-laws of GULF as amended effective July 26, 1996, and as presently in effect (Designated in Form U-1, File No. 70-8949, as Exhibit A-2(c).)

MISSISSIPPI

(e) 1 - Articles of incorporation of MISSISSIPPI, articles of merger of Mississippi Power Company (a Maine corporation) into MISSISSIPPI and articles of amendment to the articles of incorporation of MISSISSIPPI through August 19, 1993 (Designated in Registration No. 2-71540 as Exhibit 4(a)-1, in Form U5S for 1987, File No. 30-222-2, as Exhibit B-10, in Registration No. 33-49320 as Exhibit 4(b)-(1), in Form 8-K dated August 5, 1992, File No. 0-6849, as Exhibits 4(b)-2 and 4(b)-3, in Form 8-K dated August 4, 1993, File No. 0-6849, as Exhibit 4(b)-3 and in Form 8-K dated August 18, 1993, File No. 0-6849, as Exhibit 4(b)-3.)

(e) 2 - By-laws of MISSISSIPPI as amended effective April 2, 1996, and as presently in effect. (Designated in Form U5S for 1995, File No. 30-222-2, as Exhibit B-10.)

SAVANNAH

(f) 1 - Charter of SAVANNAH and amendments thereto through November 10, 1993 (Designated in Registration Nos. 33-25183 as Exhibit 4(b)-(1), 33-45717 as Exhibit 4(b)-(2) and in Form 8-K dated November 9, 1993, File No. 1-5072, as Exhibit 4(b).)

(f) 2 - By-laws of SAVANNAH as amended effective February 16, 1994, and as presently in effect. (Designated in SAVANNAH's Form 10-K for the year ended December 31, 1993, as Exhibit 3(f)2.)

(4) Instruments Describing Rights of Security Holders, Including Indentures

ALABAMA

(b) 1 - Indenture dated as of January 1, 1942, between ALABAMA and The Chase Manhattan Bank (formerly Chemical Bank), as Trustee, and indentures supplemental thereto through that dated as of December 1, 1994 (Designated in Registration Nos. 2-59843 as Exhibit 2(a)-2, 2-60484 as Exhibits 2(a)-3 and 2(a)-4, 2-60716 as Exhibit 2(c), 2-67574 as Exhibit 2(c), 2-68687 as Exhibit 2(c), 2-69599 as Exhibit 4(a)-2, 2-71364 as Exhibit 4(a)-2, 2-73727 as Exhibit 4(a)-2, 33-5079 as Exhibit 4(a)-2, 33-17083 as Exhibit 4(a)-2, 33-22090 as Exhibit 4(a)-2, in ALABAMA's Form 10-K for the year ended December 31, 1990, File No. 1-3164, as Exhibit 4(c), in Registration Nos. 33-43917 as Exhibit 4(a)-2, 33-45492 as Exhibit 4(a)-2, 33-48885 as Exhibit 4(a)-2, 33-48917 as Exhibit 4(a)-2, in Form 8-K dated January 20, 1993, File No. 1-3436, as Exhibit 4(a)-3, in Form 8-K dated February 17, 1993, File No. 1-3436, as Exhibit 4(a)-3, in Form 8-K dated March 10, 1993, File No. 1-3436, as Exhibit 4(a)-3, in Certificate of Notification, File No. 70-8069, as Exhibits A and B, in Form 8-K dated June 24, 1993, File No. 1-3436, as Exhibit 4, in Certificate of Notification, File No. 70-8069, as Exhibit A, in Form 8-K dated November 16, 1993, File No. 1-3436, as Exhibit 4(h), in Certificate of Notification, File No. 70-8069, as Exhibits A and B, in Certificate of Notification, File No. 70-8069, as Exhibit A, in Certificate of Notification, File No. 70-8069, as Exhibit A and in Form 8-K dated November 30, 1994, File No. 1-3436, as Exhibit 4.)

(b) 2 - Subordinated Note Indenture dated as of January 1, 1996, between ALABAMA and The Chase Manhattan Bank (formerly Chemical Bank), as Trustee, and indenture supplemental thereto dated as of January 1, 1996 (Designated in Certificate of Notification, File No. 70-8461, as Exhibits E and F.)

(b) 3 - Subordinated Note Indenture dated as of January 1, 1997, between ALABAMA and The Chase Manhattan Bank, as Trustee, and indenture supplemental thereto dated as of January 1, 1997 (Designated in Form 8-K dated January 9, 1997, File No. 1-3436, as Exhibits 4.1 and 4.2.)

(b) 4 - Amended and Restated Trust Agreement of Alabama Power Capital Trust I dated as of January 1, 1996 (Designated in Certificate of Notification, File No. 70-8461, as Exhibit D.)

(b) 5 - Amended and Restated Trust Agreement of Alabama Power Capital Trust II dated as of January 1, 1997 (Designated in Form 8-K dated January 9, 1997, File No. 1-3436, as Exhibit 4.5.)

(b) 6 - Guarantee Agreement relating to Alabama Power Capital Trust I dated as of January 1, 1996 (Designated in Certificate of Notification, File No. 70-8461, as Exhibit G.)

(b) 7 - Guarantee Agreement relating to Alabama Power Capital Trust II dated as of January 1, 1997. (Designated in Form 8-K dated January 9, 1997, File No. 1-3436, as Exhibit 4.8.)

GEORGIA

(c) 1 - Indenture dated as of March 1, 1941, between GEORGIA and The Chase Manhattan Bank (formerly Chemical Bank), as Trustee, and indentures supplemental thereto dated as of March 1, 1941, March 3, 1941 (3 indentures), March 6, 1941 (139 indentures), March 1, 1946 (88 indentures) and December 1, 1947, through October 15, 1995. (Designated in Registration Nos. 2-4673 as Exhibits B-3 and B-3(a), 2-7299 as Exhibit 7(a)-2, 2-61116 as Exhibit 2(a)-3 and 2(a)-4, 2-62488 as Exhibit 2(a)-3, 2-63393 as Exhibit 2(a)-4, 2-63705 as Exhibit 2(a)-3, 2-68973 as Exhibit 2(a)-3, 2-70679 as Exhibit 4(a)-(2), 2-72324 as Exhibit 4(a)-2, 2-73987 as Exhibit 4(a)-(2), 2-77941 as Exhibits 4(a)-(2) and 4(a)-(3), 2-79336 as Exhibit 4(a)-(2), 2-81303 as Exhibit 4(a)-(2), 2-90105 as Exhibit 4(a)-(2), 33-5405 as Exhibit 4(a)-(2), 33-14367 as Exhibits 4(a)-(2) and 4(a)-(3), 33-22504 as Exhibits 4(a)-(2), 4(a)-(3) and 4(a)-(4), 33-32420 as Exhibit 4(a)-(2), 33-35683 as Exhibit 4(a)-(2), in GEORGIA's Form 10-K for the year ended December 31, 1990, File No. 1-6468, as Exhibit 4(a)(3), in Form 10-K for the year ended December 31, 1991, File No. 1-6468, as Exhibit 4(a)(5), in Registration No. 33-48895 as Exhibit 4(a)-(2), in Form 8-K dated August 26, 1992, File No. 1-6468, as Exhibit 4(a)-(3), in Form 8-K dated September 9, 1992, File No. 1-6468, as Exhibits 4(a)-(3) and 4(a)-(4), in Form 8-K dated September 23, 1992, File No. 1-6468, as Exhibit 4(a)-(3), in Form 8-A dated October 12, 1992, as Exhibit 2(b), in Form 8-K dated January 27, 1993, File No. 1-6468, as Exhibit 4(a)-(3), in Registration No. 33-49661 as Exhibit 4(a)-(2), in Form 8-K dated July 26, 1993, File No. 1-6468, as Exhibit 4, in Certificate of Notification, File No. 70-7832, as Exhibit M, in Certificate of Notification, File No. 70-7832, as Exhibit C, in Certificate of Notification, File No. 70-7832, as Exhibits K and L, in Certificate of Notification, File No. 70-8443, as Exhibit C, in Certificate of Notification, File No. 70-8443, as Exhibit C, in Certificate of Notification, File No. 70-8443, as Exhibit E, in Certificate of Notification, File No. 70-8443, as Exhibit E, in Certificate of Notification, File No. 70-8443, as Exhibit E, in GEORGIA's Form 10-K for the year ended December 31, 1994, File No. 1-6468, as Exhibits 4(c)2 and 4(c)3, in Certificate of Notification, File No. 70-8443, as Exhibit C, in Certificate of Notification, File No. 70-8443, as Exhibit C, in Form 8-K dated May 17, 1995, File No. 1-6468, as Exhibit 4 and in GEORGIA's Form 10-K for the year ended December 31, 1995, File No. 1-6468, as Exhibits 4(c)2, 4(c)3, 4(c)4, 4(c)5 and 4(c)6.)

(c) 2 - Indenture dated as of December 1, 1994, between GEORGIA and Trust Company Bank, as Trustee and indentures supplemental thereto through that dated as of December 15, 1994. (Designated in Certificate of Notification, File No. 70-8461, as Exhibits E and F.)

(c) 3 - Subordinated Note Indenture dated as of August 1, 1996, between GEORGIA and The Chase Manhattan Bank, as Trustee, and indentures supplemental thereto through January 1, 1997. (Designated in Form 8-K dated August 21, 1996, File No. 1-6468, as Exhibits 4.1 and 4.2 and in Form 8-K dated January 9, 1997, File No. 1-6468, as Exhibit 4.2.)

(c) 4 - Amended and Restated Trust Agreement of Georgia Power Capital Trust I dated as of August 1, 1996. (Designated in Form 8-K dated August 21, 1996, File No. 1-6468, as Exhibit 4.5.)

(c) 5 - Amended and Restated Trust Agreement of Georgia Power Capital Trust II dated as of January 1, 1997. (Designated in Form 8-K dated January 9, 1997, File No. 1-6468, as Exhibit 4.5.)

(c) 6 - Guarantee Agreement relating to Georgia Power Capital Trust I dated as of August 1, 1996. (Designated in Form 8-K dated August 21, 1996, File No. 1-6468, as Exhibit 4.8.)

(c) 7 - Guarantee Agreement relating to Georgia Power Capital Trust II dated as of January 1, 1997. (Designated in Form 8-K dated January 9, 1997, File No. 1-6468, as Exhibit 4.8.)

GULF

(d) 1 - Indenture dated as of September 1, 1941, between GULF and The Chase Manhattan Bank (formerly The Chase Manhattan Bank (National Association)), as Trustee, and indentures supplemental thereto through November 1, 1996 (Designated in Registration Nos. 2-4833 as Exhibit B-3, 2-62319 as Exhibit 2(a)-3, 2-63765 as Exhibit 2(a)-3, 2-66260 as Exhibit 2(a)-3, 33-2809 as Exhibit 4(a)-2, 33-43739 as Exhibit 4(a)-2, in GULF's Form 10-K for the year ended December 31, 1991, File No. 0-2429, as Exhibit 4(b), in Form 8-K dated August 18, 1992, File No. 0-2429, as Exhibit 4(a)-3, in Registration No. 33-50165 as Exhibit 4(a)-2, in Form 8-K dated July 12, 1993, File No. 0-2429, as Exhibit 4, in Certificate of Notification, File No. 70-8229, as Exhibit A, in Certificate of Notification, File No. 70-8229, as Exhibits E and F, in Form 8-K dated January 17, 1996, File No. 0-2429, as Exhibit 4, in Certificate of Notification, File No. 70-8229, as Exhibit A, in Certificate of Notification, File No. 70-8229, as Exhibit A and in Form 8-K dated November 6, 1996, File No. 0-2429, as Exhibit 4.)

(d) 2 - Subordinated Note Indenture dated as of January 1, 1997, between GULF and The Chase Manhattan Bank, as Trustee, and indenture supplemental thereto dated as of January 1, 1997. (Designated in Form 8-K dated January 27, 1997, File No. 0-2429, as Exhibits 4.1 and 4.2.)

(d) 3 - Amended and Restated Trust Agreement of Gulf Power Capital Trust I dated as of January 1, 1997. (Designated in Form 8-K dated January 27, 1997, File No. 0-2429, as Exhibit 4.5.)

(d) 4 - Guarantee Agreement relating to Gulf Power Capital Trust I dated as of January 1, 1997. (Designated in Form 8-K dated January 27, 1997, File No. 0-2429, as Exhibit 4.8.)

MISSISSIPPI

(e) 1 - Indenture dated as of September 1, 1941, between MISSISSIPPI and Bankers Trust Company, as Successor Trustee, and indentures supplemental thereto through December 1, 1995. (Designated in Registration Nos. 2-4834 as Exhibit B-3, 2-62965 as Exhibit 2(b)-2, 2-66845 as Exhibit 2(b)-2, 2-71537 as Exhibit 4(a)-(2), 33-5414 as Exhibit 4(a)-(2), 33-39833 as Exhibit 4(a)-2, in MISSISSIPPI's Form 10-K for the year ended December 31, 1991, File No. 0-6849, as Exhibit 4(b), in Form 8-K dated August 5, 1992, File No. 0-6849, as Exhibit 4(a)-2, in Second Certificate of Notification, File No. 70-7941, as Exhibit I, in MISSISSIPPI's Form 8-K dated February 26, 1993, File No. 0-6849, as Exhibit 4(a)-2, in Certificate of Notification, File No. 70-8127, as Exhibit A, in Form 8-K dated June 22, 1993, File No. 0-6849, as Exhibit 1, in Certificate of Notification, File No. 70-8127, as Exhibit A, in Form 8-K dated March 8, 1994, File No. 0-6849, as Exhibit 4, in Certificate of Notification, File No. 70-8127, as Exhibit C and in Form 8-K dated December 5, 1995, File No. 0-6849, as Exhibit 4.)

SAVANNAH

(f) - Indenture dated as of March 1, 1945, between SAVANNAH and Bank of New York, New York, as Trustee, and indentures supplemental thereto through May 1, 1996. (Designated in Registration Nos. 33-25183 as Exhibit 4(a)-(1), 33-41496 as Exhibit 4(a)-(2), 33-45757 as Exhibit 4(a)-(2), in SAVANNAH's Form 10-K for the year ended December 31, 1991, File No. 1-5072, as Exhibit 4(b), in Form 8-K dated July 8 1992, File No. 1-5072, as Exhibit 4(a)-3, in Registration No. 33 50587 as Exhibit 4(a)-(2), in Form 8-K dated July 22, 1993, File No. 1-5072, as Exhibit 4, in Form 8-K dated May 18, 1995, File No. 1-5072, as Exhibit 4 and in Form 8-K dated May 23, 1996, File No. 1-5072, as Exhibit 4.)

(10) Material Contracts

SOUTHERN

(a) 1 - Service contracts dated as of January 1, 1984 and Amendment No. 1 dated as of September 6, 1985, between SCS and ALABAMA, GEORGIA, GULF, MISSISSIPPI, SEGCO and SOUTHERN. (Designated in SOUTHERN's Form 10-K for the year ended December 31, 1984, File No. 1-3526, as Exhibit 10(a) and in SOUTHERN's Form 10-K for the year ended December 31, 1985 File No 1-3526, as Exhibit 10(a)(3).)

(a) 2 - Service contract dated as of July 17, 1981, between SCS and SEI. (Designated in SOUTHERN's Form 10-K for the year ended December 31, 1985. File No 1-3526, as Exhibit 10(a)(2).)

(a) 3 - Service contract dated as of March 3, 1988, between SCS and SAVANNAH (Designated in SAVANNAH's Form 10-K for the year ended December 31, 198 File No. 1-5072, as Exhibit 10-p.)

(a) 4 - Service contract dated as of January 15, 1991, between SCS and Southern Nuclear (Designated in SOUTHERN's Form 10-K for the year ended December 31, 1991, File No. 1-3526, as Exhibit 10(a)(4).)

(a) 5 - Service Contract dated as of December 12, 1994, between SCS and Mobile Energy Services Company, Inc. (Designated in SOUTHERN's Form 10-K for the year ended December 31, 1994, File No. 1-3526, as Exhibit 10(a)58.)

(a) 6 - Interchange contract dated October 28, 1988, effective January 1, 1989, between ALABAMA, GEORGIA, GULF, MISSISSIPPI, SAVANNAH and SCS (Designated in SAVANNAH's Form 10-K for the year ended December 31, 1988, File No. 1-5072, as Exhibit 10(b).)

(a) 7 - Agreement dated as of January 27, 1959, Amendment No. 1 dated as of October 27, 1982 and Amendment No. 2 dated November 4, 1993 and effective June 1, 1994, among SEGCO, ALABAMA and GEORGIA. (Designated in Registration No. 2-59634 as Exhibit 5(c), in GEORGIA's Form 10-K for the year ended December 31, 1982, File No. 1-6468, as Exhibit 10(d)(2) and in ALABAMA's Form 10-K for the year ended December 31, 1994, File No. 1-3164, as Exhibit 10(b)18.)

(a) 8 - Joint Committee Agreement dated as of August 27, 1976, among GEORGIA, OPC, MEAG and Dalton. (Designated in Registration No. 2-61116 as Exhibit 5(d).)

(a) 9 - Edwin I. Hatch Nuclear Plant Purchase and Ownership Participation Agreement dated as of January 6, 1975, between GEORGIA and OPC. (Designated in Form 8-K for January, 1975, File No. 1-6468, as Exhibit (b)(1).)

(a) 10 - Edwin I. Hatch Nuclear Plant Operating Agreement dated as of January 6, 1975, between GEORGIA and OPC. (Designated in Form 8-K for January, 1975, File No. 1-6468, as Exhibit (b)(3).)

(a) 11 - Revised and Restated Integrated Transmission System Agreement dated as of November 12, 1990, between GEORGIA and OPC. (Designated in GEORGIA's Form 10-K for the year ended December 31, 1990, File No. 1-6468, as Exhibit 10(g).)

(a) 12 - Plant Hal Wansley Purchase and Ownership Participation Agreement dated as of March 26, 1976, between GEORGIA and OPC. (Designated in Certificate of Notification, File No. 70-5592, as Exhibit A.)

(a) 13 - Plant Hal Wansley Operating Agreement dated as of March 26, 1976, between GEORGIA and OPC. (Designated in Certificate of Notification, File No. 70-5592, as Exhibit B.)

(a) 14 - Edwin I. Hatch Nuclear Plant Purchase and Ownership Participation Agreement dated as of August 27, 1976, between GEORGIA, MEAG and Dalton. (Designated in Form 8-K dated as of June 13, 1977, File No. 1-6468, as Exhibit (b)(1).)

(a) 15 - Edwin I. Hatch Nuclear Plant Operating Agreement dated as of August 27, 1976, between GEORGIA, MEAG and Dalton. (Designated in Form 8-K for February 1977, File No. 1-6468, as Exhibit (b)(2).)

(a) 16 - Alvin W. Vogtle Nuclear Units Number One and Two Purchase and Ownership Participation Agreement dated as of August 27, 1976 and Amendment No. 1 dated as of January 18, 1977, among GEORGIA, OPC, MEAG and Dalton. (Designated in Form U-1, File No. 70-5792, as Exhibit B-1 and in Form 8-K for January 1977, File No. 1-6468, as Exhibit (B)(3).)

(a) 17 - Alvin W. Vogtle Nuclear Units Number One and Two Operating Agreement dated as of August 27, 1976, among GEORGIA, OPC, MEAG and Dalton. (Designated in Form U-1, File No. 70-5792, as Exhibit B-2.)

(a) 18 - Alvin W. Vogtle Nuclear Units Number One and Two Purchase, Amendment Assignment and Assumption Agreement dated as of November 16, 1983, between GEORGIA and MEAG. (Designated in GEORGIA's Form 10-K for the year ended December 31, 1983, File No. 1-6468, as Exhibit 10(k)(4).)

(a) 19 - Plant Hal Wansley Purchase and Ownership Participation Agreement dated as of August 27, 1976, between GEORGIA and MEAG. (Designated in Form 8-K dated as of July 5, 1977, File No. 1-6468, as Exhibit (b)(2).)

(a) 20 - Plant Hal Wansley Operating Agreement dated as of August 27, 1976, between GEORGIA and MEAG. (Designated in Form 8-K dated as of July 5, 1977, File No. 1-6468, as Exhibit (b)(4).)

(a) 21 - Integrated Transmission System Agreement dated as of August 27, 1976, between GEORGIA and Dalton. (Designated in Form 8-K dated as of July 5, 1977, File No. 1-6468, as Exhibit (b)(8).)

(a) 22 - Integrated Transmission System Agreement dated as of August 27, 1976, between GEORGIA and MEAG. (Designated in Form 8-K for February 1977, File No. 1-6468, as Exhibit (b)(4).)

(a) 23 - Plant Hal Wansley Purchase and Ownership Participation Agreement dated as of April 19, 1977, between GEORGIA and Dalton. (Designated in Form 8-K dated as of June 13, 1977, File No. 1-6468, as Exhibit (b)(3).)

(a) 24 - Plant Hal Wansley Operating Agreement dated as of April 19, 1977, between GEORGIA and Dalton. (Designated in Form 8-K dated as of June 13, 1977, File No. 1-6468, as Exhibit (b)(7).)

(a) 25 - Plant Robert W. Scherer Units Number One and Two Purchase and Ownership Participation Agreement dated as of May 15, 1980, Amendment No. 1 dated as of December 30, 1985, Amendment No. 2 dated as of July 1, 1986, Amendment No. 3 dated as of August 1, 1988 and Amendment No. 4 dated as of December 31, 1990, among GEORGIA, OPC, MEAG and Dalton. (Designated in Form U-1, File No. 70-6481, as Exhibit B-3, in SOUTHERN's Form 10-K for the year ended December 31, 1987, File No. 1-3526, as Exhibit 10(o)(2), in SOUTHERN's Form 10-K for the year ended December 31, 1989, File No. 1-3526, as Exhibit 10(n)(2) and in SOUTHERN's Form 10-K for the year ended December 31, 1991, File No. 1-3526, as Exhibit 10(a)54.)

(a) 26 - Plant Robert W. Scherer Units Number One and Two Operating Agreement dated as of May 15, 1980, Amendment No. 1 dated as of December 3, 1985 and Amendment No. 2 dated as of December 31, 1990, among GEORGIA, OPC, MEAG and Dalton. (Designated in Form U-1, File No. 70-6481, as Exhibit B-4, in SOUTHERN's Form 10-K for the year ended December 31, 1987, File No. 1-3526, as Exhibit 10(o)(4) and in SOUTHERN's Form 10-K for the year ended December 31, 1993, File No. 1-3526, as Exhibit 10(a)55.)

(a) 27 - Plant Robert W. Scherer Purchase, Sale and Option Agreement dated as of May 15, 1980, between GEORGIA and MEAG. (Designated in Form U-1, File No. 70-6481, as Exhibit B-1.)

(a) 28 - Plant Robert W. Scherer Purchase and Sale Agreement dated as of May 16, 1980, between GEORGIA and Dalton. (Designated in Form U-1, File No. 70-6481, as Exhibit B-2.)

(a) 29 - Plant Robert W. Scherer Unit Number Three Purchase and Ownership Participation Agreement dated as of March 1, 1984, Amendment No. 1 dated as of July 1, 1986 and Amendment No. 2 dated as of August 1, 1988, between GEORGIA and [illegible]'LF. (Designated in Form U-1, File No. 70-6573, as Exhibit B-4, in SOUTHERN's Form 10-K for the year ended December 31, 1987, as Exhibit 10(o)(2) and in SOUTHERN's Form 10-K for the year ended December 31, 1989, as Exhibit 10(n)(2).)

(a) 30 - Plant Robert W. Scherer Unit Number Three Operating Agreement dated as of March 1, 1984, between GEORGIA and GUEU. (Designated in Form U-1, File No. 70-6573, as Exhibit B-5.)

(a) 31 - Plant Robert W. Scherer Unit No. Four Amended and Restated Purchase and Ownership Participation Agreement by and among GEORGIA, FP&L and JEA, dated as of December 31, 1990 and Amendment No. 1 dated as of June 15, 1994 (Designated in Form U-1, File No. 70-7843, as Exhibit B-1 and in SOUTHERN's Form 10-K for the year ended December 31, 1994, File No. 1-3526, as Exhibit 10(a)60.)

(a) 32 - Plant Robert W. Scherer Unit No. Four Operating Agreement by and among GEORGIA, FP&L and JEA, dated as of December 31, 1990 and Amendment No. 1 dated as of June 15, 1994. (Designated in Form U-1, File No. 0-7843, as Exhibit B-2 and in SOUTHERN's Form 10-K for the year ended December 31, 1994, File No. 1-3526, as Exhibit 10(a)61.)

(a) 33 - Amended and Restated Unit Power Sales Agreement dated February 18, 1982, and Amendment No. 1 dated May 18, 1982, between FP&L and ALABAMA, GEORGIA, GULF, MISSISSIPPI and SCS. (Designated in MISSISSIPPI's Form 10-K for the year ended December 31, 1981, File No. 0-6849, as Exhibit 10(r)2 and in GEORGIA's Form 10-K for the year ended December 31, 1982, File No. 1-6468, as Exhibit 10(r)3.)

(a) 34 - Amended and Restated Unit Power Sales Agreement dated May 19, 1982, Amendment No. 1 dated August 30, 1984 and Amendment No. 2 dated October 30, 1987, between JEA and ALABAMA, GEORGIA, GULF, MISSISSIPPI and SCS. (Designated in GEORGIA's Form 10-K for the year ended December 31, 1982, File No. 1-6468, as Exhibit 10(s)(2), in SOUTHERN's Form 10-K for the year ended December 31, 1984, File No. 1-3526, as Exhibit 10(r)(2) and in GEORGIA's Form 10-K for the year ended December 31, 1990, File No. 1-6468, as Exhibit 10(s)(2).)

(a) 35 - Unit Power Sales Agreement dated July 19, 1988, between FPC and ALABAMA, GEORGIA, GULF, MISSISSIPPI, SAVANNAH and SCS. (Designated in SAVANNAH's Form 10-K for the year ended December 31, 1988, File No. 1-5072, as Exhibit 10(d).)

(a) 36 - Amended Unit Power Sales Agreement dated July 20, 1988, between FP&L and ALABAMA, GEORGIA, GULF, MISSISSIPPI, SAVANNAH and SCS. (Designated in SAVANNAH's Form 10-K for the year ended December 31, 1988, File No. 1-5072, as Exhibit 10(e).)

(a) 37 - Amended Unit Power Sales Agreement dated August 17, 1988, between JEA and ALABAMA, GEORGIA, GULF, MISSISSIPPI, SAVANNAH and SCS. (Designated in SAVANNAH's Form 10-K for the year ended December 31, 1988, File No. 1-5072, as Exhibit 10(f).)

(a) 38 - Unit Power Sales Agreement dated December 8, 1990, between Tallahassee and ALABAMA, GEORGIA, GULF, MISSISSIPPI, SAVANNAH and SCS. (Designated in GEORGIA's Form 10-K for the year ended December 31, 1990, File No. 1-6468, as Exhibit 10(x).)

(a) 39 - Transition Energy Agreement dated December 31, 1990, between JEA and ALABAMA, GEORGIA, GULF, MISSISSIPPI, SAVANNAH and SCS. (Designated in GULF's Form 10-K for the year ended December 31, 1991, File No. 0-2429, as Exhibit 10(l).)

(a) 40 - Transition Energy Agreement dated December 31, 1990, between FP&L and ALABAMA, GEORGIA, GULF, MISSISSIPPI, SAVANNAH and SCS.

(Designated in GULF's Form 10-K for the year ended December 31, 1991, File No. 0-2429, as Exhibit 10(n).)

(a) 41 - Rocky Mountain Pumped Storage Hydroelectric Project Ownership Participation Agreement dated November 18, 1988, between OPC and GEORGIA. (Designated in GEORGIA's Form 10-K for the year ended December 31, 1988, File No. 1-6468, as Exhibit 10(x).)

(a) 42 - Rocky Mountain Pumped Storage Hydroelectric Project Operating Agreement dated November 18, 1988, between OPC and GEORGIA. (Designated in GEORGIA's Form 10-K for the year ended December 31, 1988, File No. 1-6468, as Exhibit 10(y).)

(a) 43 - Purchase and Ownership Agreement for Joint Ownership Interest in the James H. Miller, Jr. Steam Electric Generating Plant Units One and Two dated November 18, 1988, between ALABAMA and AEC. (Designated in Form U-1, File No. 70-7609, as Exhibit B-1.)

(a) 44 - Operating Agreement for Joint Ownership Interest in the James H. Miller, Jr. Steam Electric Generating Plant Units One and Two dated November 18, 1988, between ALABAMA and AEC. (Designated in Form U-1, File No. 70-7609, as Exhibit B-2.)

(a) 45 - Transmission Facilities Agreement dated February 25, 1982, Amendment No. 1 dated May 12, 1982 and Amendment No. 2 dated December 6, 1983, between Gulf States and MISSISSIPPI. (Designated in MISSISSIPPI's Form 10-K for the year ended December 31, 1981, File No. 0-6849, as Exhibit 10(f), in MISSISSIPPI's Form 10-K for the year ended December 31, 1982, File No. 0-6849, as Exhibit 10(f)(2) and in MISSISSIPPI's Form 10-K for the year ended December 31, 1983, File No. 0-6849, as Exhibit 10(f)(3).)

(a) 46 - Form of commitment agreement, Amendment No. 1 and Amendment No. 2 with respect to SOUTHERN, ALABAMA, GEORGIA and MISSISSIPPI revolving credits. (Designated in Form U-1, File No. 70-7738, as Exhibit A-5 and in Form U-1, File No. 70-7937, as A-5(b).)

(a) 47 - Block Power Sale Agreement between GEORGIA and OPC dated as of November 12, 1990. (Designated in GEORGIA's Form 10-K for the year ended December 31, 1990, File No. 1-6468, as Exhibit 10(cc).)

(a) 48 - Coordination Services Agreement between GEORGIA and OPC dated as of November 12, 1990. (Designated in GEORGIA's Form 10-K for the year ended December 31, 1990, File No. 1-6468, as Exhibit 10(dd).)

(a) 49 - Amended and Restated Nuclear Managing Board Agreement for Plant Hatch and Plant Vogtle among GEORGIA, OPC, MEAG and Dalton dated as of July 1, 1993 (Designated in SOUTHERN's Form 10-K for the year ended December 31, 1993, File No. 1-3526, as Exhibit 10(a)49.)

(a) 50 - Integrated Transmission System Agreement, Power Sale and Coordination Umbrella Agreement between GEORGIA and OPC dated as of November 12 1990. (Designated in GEORGIA's Form 10-K for the year ended December 31, 1990, File No. 1-6468, as Exhibit 10(ff).)

(a) 51 - Revised and Restated Integrated Transmission System Agreement between GEORGIA and Dalton dated as of December 7, 1990. (Designated in GEORGIA's Form 10-K for the year ended December 31, 1990, File No. 1-6468, as Exhibit 10(gg).)

(a) 52 - Revised and Restated Integrated Transmission System Agreement between GEORGIA and MEAG dated as of December 7, 1990. (Designated in GEORGIA's Form 10-K for the year ended December 31, 1990, File No. 1-6468, as Exhibit 10(hh).)

(a) 53 - Long Term Transmission Service Agreement between Entergy Power, Inc. and ALABAMA, MISSISSIPPI and SCS. (Designated in SOUTHERN's Form 10-K for the year ended December 31, 1992, File No. 1-3526, as Exhibit 10(a)53.)

(a) 54 - Plant Scherer Managing Board Agreement dated as of December 31, 1990 among GEORGIA, OPC, MEAG, Dalton, GULF, FP&L and JEA. (Designated in SOUTHERN's Form 10-K for the year ended December 31, 1993, File No. 1-3526, as Exhibit 10(a)56.)

(a) 55 - Plant McIntosh Combustion Turbine Purchase and Ownership Participation Agreement between GEORGIA and SAVANNAH dated as of December 15, 1992 (Designated in SOUTHERN's Form 10-K for the year ended December 31, 1993, File No. 1-3526, as Exhibit 10(a)57.)

(a) 56 - Plant McIntosh Combustion Turbine Operating Agreement between GEORGIA and SAVANNAH dated as of December 15, 1992. (Designated in SOUTHERN's Form 10-K for the year ended December 31, 1993, File No. 1-3526, as Exhibit 10(a)58.)

(a) 57 - Power Purchase Agreement dated as of December 3, 1993 between GEORGIA and FPC. (Designated in SOUTHERN's Form 10-K for the year ended December 31, 1993 File No. 1-3526, as Exhibit 10(a)59.)

(a) 58 - Operating Agreement for the Joseph M. Farley Nuclear Plant between ALABAMA and Southern Nuclear dated as of December 23, 1991. (Designated in Form U-1, File No. 70-7530, as Exhibit B-7.)

(a) 59 - Nuclear Services Agreement between Southern Nuclear and GEORGIA dated as of October 31, 1991. (Designated in Form U-1, File No. 70-7530, as Exhibit B-6.)

(a) 60 - Nuclear Managing Board Agreement among GEORGIA, OPC, MEAG and Dalton dated as of November 12, 1990. (Designated in GEORGIA's Form 10-K for the year ended December 31, 1990 File No. 1-6468, as Exhibit 10(ee).)

(a) 61 - The Southern Company Productivity Improvement Plan, Amended and Restated effective January 1, 1995 (Designated in SOUTHERN's Form 10-K for the year ended December 31, 1995, File No. 1-3526, as Exhibit 10(a)61.)

(a) 62 - The Southern Company Executive Productivity Improvement Plan, effective January 1, 1995 (Designated in SOUTHERN's Form 10-K for the year ended December 31, 1995, File No. 1-3526, as Exhibit 10(a)62.)

(a) 63 - The Southern Company Employee Savings Plan, Amended and Restated effective July 3, 1995 and First Amendment and Second Amendment thereto. (Designated in SOUTHERN's Form 10-K for the year ended December 31, 1995, File No. 1-3526, as Exhibit 10(a)63.)

* (a) 64 - Third Amendment and Fourth Amendment to The Southern Company Employee Savings Plan.

(a) 65 - The Southern Company Employee Stock Ownership Plan, Amended and Restated effective April 1, 1995 and First Amendment thereto (Designated in SOUTHERN's Form 10-K for the year ended December 31, 1995, File No. 1-3526, as Exhibit 10(a)64.)

* (a) 66 - Second Amendment to The Southern Company Employee Stock Ownership Plan

(a) 67 - Pension Plan For Employees of ALABAMA, Amended and Restated effective as of January 1, 1989. (Designated in SOUTHERN's Form 10-K for the year ended December 31, 1994, File No. 1-3526, as Exhibit 10(a)69.)

* (a) 68 - First Amendment, Second Amendment and Third Amendment to the Pension Plan For Employees of ALABAMA

(a) 69 - ision Plan For Employees of GEORGIA, Amended and Restated effective as of January 1, 1989. (Designated in SOUTHERN's Form 10-K for the year ended December 31, 1994, File No. 1-3526, as Exhibit 10(a)70.)

* (a) 70 - First Amendment, Second Amendment and Third Amendment to the Pension Plan For Employees of GEORGIA

(a) 71 - Pension Plan For Employees of SCS, Amended and Restated effective as of January 1, 1989 and First Amendment thereto (Designated in SOUTHERN's Form 10-K for the year ended December 31, 1994, File No. 1-3526, as Exhibit 10(a)71 and in SOUTHERN's Form 10-K for the year ended December 31, 1995, File No. 1-3526, as Exhibit 10(a)68.)

* (a) 72 - Second Amendment, Third Amendment and Fourth Amendment to the Pension Plan For Employees of SCS

* (a) 73 - The Southern Company Performance Pay Plan, Amended and Restated effective January 1, 1996.

(a) 74 - Supplemental Benefit Plan for ALABAMA. (Designated in SOUTHERN's Form 10-K for the year ended December 31, 1995, File No. 1-3526, as Exhibit 10(a)74.)

(a) 75 - Supplemental Benefit Plan for GEORGIA. (Designated in SOUTHERN's Form 10-K for the year ended December 31, 1995, File No. 1-3526, as Exhibit 10(a)75.)

* (a) 76 - Supplemental Benefit Plan for SCS and SEI, Amended and Restated effective as of January 1, 1996.

(a) 77 - The Deferred Compensation Plan for the Directors of The Southern Company and First Amendment and Second Amendment thereto. (Designated in SOUTHERN's Form 10-K for the year ended December 31, 1994, File No. 1-3526, as Exhibit 10(a)76 and in SOUTHERN's Form 10-K for the year ended December 31, 1995, File No. 1-3526, as Exhibit 10(a)75.)

(a) 78 - The Southern Company Outside Directors Pension Plan. (Designated in SOUTHERN's Form 10-K for the year ended December 31, 1994, File No. 1-3526, as Exhibit 10(a)77.)

(a) 79 - The Southern Company Deferred Compensation Plan. (Designated in SOUTHERN's Form 10-K for the year ended December 31, 1995, File No. 1-3526, as Exhibit 10(a)77.)

(a) 80 - The Southern Company Outside Directors Stock Plan and First Amendment thereto. (Designated in Registration No. 33-54415 as Exhibit 4(c) and in SOUTHERN's Form 10-K for the year ended December 31, 1995, File No. 1-3526, as Exhibit 10(a)79.)

(a) 81 - Outside Directors Stock Plan for Subsidiaries of The Southern Company and First Amendment thereto. (Designated in SOUTHERN's Form 10-K for the year ended December 31, 1995, File No. 1-3526, as Exhibit 10(a)80.)

(a) 82 - The Southern Company Executive Stock Plan for the Southern Electric System and First Amendment and Second Amendment thereto. (Designated in Registration No. 33-30171 as Exhibit 4(c) and in SOUTHERN's Form 10-K for the year ended December 31, 1995, File No. 1-3526, as Exhibit 10(a)82.)

* (a) 83 - The Southern Company Pension Plan, effective as of January 1, 1997

ALABAMA

(b) 1 - Service contracts dated as of January 1, 1984 and Amendment No. 1 dated as of September 6, 1985, between SCS and ALABAMA, GEORGIA, GULF, MISSISSIPPI, SEGCO and SOUTHERN. See Exhibit 10(a)1 herein

(b) 2 - Interchange contract dated October 28, 1988, effective January 1, 1989, between ALABAMA, GEORGIA, GULF, MISSISSIPPI, SAVANNAH and SCS. See Exhibit 10(a)6 herein

(b) 3 - Agreement dated as of January 27, 1959, Amendment No. 1 dated as of October 27, 1982 and Amendment No. 2 dated November 4, 1993 and effective June 1, 1994, among SEGCO, ALABAMA and GEORGIA. See Exhibit 10(a)7 herein.

(b) 4 - Amended and Restated Unit Power Sales Agreement dated February 18, 1982 and Amendment No. 1 dated May 18, 1982, between FP&L and ALABAMA, GEORGIA, GULF, MISSISSIPPI and SCS. See Exhibit 10(a)33 herein.

(b) 5 - Amended and Restated Unit Power Sales Agreement dated May 19, 1982, Amendment No. 1, dated August 30, 1984 and Amendment No. 2, dated October 30, 1987, between JEA and ALABAMA, GEORGIA, GULF, MISSISSIPPI and SCS. See Exhibit 10(a)34 herein

(b) 6 - Unit Power Sales Agreement dated July 19, 1988, between FPC and ALABAMA, GEORGIA, GULF, MISSISSIPPI, SAVANNAH and SCS. See Exhibit 10(a)35 herein.

(b) 7 - Amended Unit Power Sales Agreement dated July 20, 1988, between FP&L and ALABAMA, GEORGIA, GULF, MISSISSIPPI, SAVANNAH and SCS. See Exhibit 10(a)36 herein.

(b) 8 - Amended Unit Power Sales Agreement dated August 17, 1988, between JEA and ALABAMA, GEORGIA, GULF, MISSISSIPPI, SAVANNAH and SCS. See Exhibit 10(a)37 herein.

(b) 9 - Unit Power Sales Agreement dated December 8, 1990, between Tallahassee and ALABAMA, GEORGIA, GULF, MISSISSIPPI, SAVANNAH and SCS. See Exhibit 10(a)38 herein.

(b) 10 - Transition Energy Agreement dated December 31, 1990, between JEA and ALABAMA, GEORGIA, GULF, MISSISSIPPI, SAVANNAH and SCS. See Exhibit 10(a)39 herein

(b) 11 - Transition Energy Agreement dated December 31, 1990, between FP&L and ALABAMA, GEORGIA, GULF, MISSISSIPPI, SAVANNAH and SCS. See Exhibit 10(a)40 herein

(b) 12 - Firm Power Purchase Contract between ALABAMA and AMEA. (Designated in Certificate of Notification, File No. 70-7212, as Exhibit B.)

(b) 13 - 1991 Firm Power Purchase Contract between ALABAMA and AMEA (Designated in Form U-1, File No. 70-7873, as Exhibit B-1.)

(b) 14 - Purchase and Ownership Agreement for Joint Ownership Interest in the James H. Miller, Jr. Steam Electric Generating Plant Units One and Two dated November 18, 1988, between ALABAMA and AEC. See Exhibit 10(a)43 herein

(b) 15 - Operating Agreement for Joint Ownership Interest in the James H. Miller, Jr. Steam Electric Generating Plant Units One and Two dated November 18, 1988, between ALABAMA and AEC. See Exhibit 10(a)44 herein

(b) 16 - Form of commitment agreement, Amendment No. 1 and Amendment No. 2 with respect to SOUTHERN, ALABAMA, GEORGIA and MISSISSIPPI revolving credits. See Exhibit 10(a)46 herein

(b) 17 - Long Term Transmission Service Agreement between Entergy Power, Inc. and ALABAMA, MISSISSIPPI and SCS. See Exhibit 10(a)53 herein

(b) 18 - Operating Agreement for the Joseph M. Farley Nuclear Plant between ALABAMA and Southern Nuclear dated as of December 23, 1991. See Exhibit 10(a)58 herein.

(b) 19 - The Southern Company Productivity Improvement Plan, Amended and Restated effective January 1, 1995. See Exhibit 10(a)61 herein

(b) 20 - The Southern Company Executive Productivity Improvement Plan, effective January 1, 1995. See Exhibit 10(a)62 herein

(b) 21 - The Southern Company Employee Savings Plan, Amended and Restated effective July 3, 1995 and First Amendment and Second Amendment thereto. See Exhibit 10(a)63 herein

* (b) 22 - Third Amendment and Fourth Amendment to The Southern Company Employee Savings Plan. See Exhibit 10(a)64 herein

(b) 23 - The Southern Company Employee Stock Ownership Plan, Amended and Restated effective April 1, 1995 and First Amendment thereto. See Exhibit 10(a)65 herein

* (b) 24 - Second Amendment to The Southern Company Employee Stock Ownership Plan See Exhibit 10(a)66 herein

(b) 25 - Pension Plan For Employees of ALABAMA, Amended and Restated effective as of January 1, 1989. See Exhibit 10(a)67 herein

* (b) 26 - First Amendment, Second Amendment and Third Amendment to the Pension Plan For Employees of ALABAMA. See Exhibit 10(a)68 herein

* (b) 27 - The Southern Company Performance Pay Plan, Amended and Restated effective January 1, 1996. See Exhibit 10(a)73 herein

(b) 28 - Supplemental Benefit Plan for ALABAMA. See Exhibit 10(a)74 herein

(b) 29 - The Southern Company Deferred Compensation Plan. See Exhibit 10(a)79 herein

(b) 30 - The Southern Company Outside Directors Pension Plan. See Exhibit 10(a)78 herein.

(b) 31 - Outside Directors Stock Plan for Subsidiaries of The Southern Company and First Amendment thereto. See Exhibit 10(a)81 herein

* (b) 32 - The Southern Company Pension Plan, effective as of January 1, 1997. See Exhibit 10(a)83 herein.

GEORGIA

(c) 1 - Service contracts dated as of January 1, 1984 and Amendment No. 1 dated as of September 6, 1985, between SCS and ALABAMA, GEORGIA, GULF, MISSISSIPPI, SEGCO and SOUTHERN. See Exhibit 10(a)1 herein.

(c) 2 - Interchange contract dated October 28, 1988, effective January 1, 1989, between ALABAMA, GEORGIA, GULF, MISSISSIPPI, SAVANNAH and SCS. See Exhibit 10(a)6 herein.

(c) 3 - Agreement dated as of January 27, 1959, Amendment No. 1 dated as of October 27, 1982 and Amendment No. 2 dated November 4, 1993 and effective June 1, 1994, among SEGCO, ALABAMA and GEORGIA. See Exhibit 10(a)7 herein.

(c) 4 - Joint Committee Agreement dated as of August 27, 1976, among GEORGIA OPC, MEAG and Dalton. See Exhibit 10(a)8 herein.

(c) 5 - Edwin I. Hatch Nuclear Plant Purchase and Ownership Participation Agreement dated as of January 6, 1975, between GEORGIA and OPC. See Exhibit 10(a)9 herein.

(c) 6 - Edwin I. Hatch Nuclear Plant Operating Agreement dated as of January 6, 1975, between GEORGIA and OPC. See Exhibit 10(a)10 herein.

(c) 7 - Revised and Restated Integrated Transmission System Agreement dated as of November , 1990, between GEORGIA and OPC. See Exhibit 10(a)11 herein.

(c) 8 - Plant Hal Wansley Purchase and Ownership Participation Agreement dated as of March 26, 1976, between GEORGIA and OPC. See Exhibit 10(a)12 herein.

(c) 9 - Plant Hal Wansley Operating Agreement dated as of March 26, 1976, between GEORGIA and OPC. See Exhibit 10(a)13 herein.

(c) 10 - Edwin I. Hatch Nuclear Plant Purchase and Ownership Participation Agreement dated as of August 27, 1976, between GEORGIA, MEAG and Dalton. See Exhibit 10(a)14 herein.

(c) 11 - Edwin I. Hatch Nuclear Plant Operating Agreement dated as of August 27, 1976, between GEORGIA, MEAG and Dalton. See Exhibit 10(a)15 herein.

(c) 12 - Alvin W. Vogtle Nuclear Units Number One and Two Purchase and Ownership Participation Agreement dated as of August 27, 1976 and Amendment No. 1 dated as of January 18, 1977, among GEORGIA, OPC, MEAG and Dalton. See Exhibit 10(a)16 herein.

(c) 13 - Alvin W. Vogtle Nuclear Units Number One and Two Operating Agreement dated as of August 27, 1976, among GEORGIA, OPC, MEAG and Dalton. See Exhibit 10(a)17 herein

(c) 14 - Alvin W. Vogtle Nuclear Units Number One and Two Purchase, Amendment, Assignment and Assumption Agreement dated as of November 16, 1983, between GEORGIA and MEAG. See Exhibit 10(a)18 herein

(c) 15 - Plant Hal Wansley Purchase and Ownership Participation Agreement dated as of August 27, 1976, between GEORGIA and MEAG. See Exhibit 10(a)19 herein

(c) 16 - Plant Hal Wansley Operating Agreement dated as of August 27, 1976, between GEORGIA and MEAG. See Exhibit 10(a)20 herein.

(c) 17 - Integrated Transmission System Agreement dated as of August 27, 1976, between GEORGIA and Dalton. See Exhibit 10(a)21 herein

(c) 18 - Integrated Transmission System Agreement dated as of August 27, 1976, between GEORGIA and MEAG. See Exhibit 10(a)22 herein

(c) 19 - Plant Hal Wansley Purchase and Ownership Participation Agreement dated as of April 19, 1977, between GEORGIA and Dalton. See Exhibit 10(a)23 herein

(c) 20 - Plant Hal Wansley Operating Agreement dated as of April 19, 1977, between GEORGIA and Dalton. See Exhibit 10(a)24 herein

(c) 21 - Plant Robert W. Scherer Units Number One and Two Purchase and Ownership Participation Agreement dated as of May 15, 1980, Amendment No. 1 dated as of December 30, 1985, Amendment No. 2 dated as of July 1, 1986, Amendment No. 3 dated as of August 1, 1988 and Amendment No. 4 dated as of December 31, 1990, among GEORGIA, OPC, MEAG and Dalton. See Exhibit 10(a)25 herein

(c) 22 - Plant Robert W. Scherer Units Number One and Two Operating Agreement dated as of May 15, 1980, Amendment No. 1 dated as of December 3, 1985 and Amendment No. 2 dated as of December 31, 1990, among GEORGIA, OPC, MEAG and Dalton. See Exhibit 10(a)26 herein

(c) 23 - Plant Robert W. Scherer Purchase, Sale and Option Agreement dated as of May 15, 1980, between GEORGIA and MEAG. See Exhibit 10(a)27 herein

(c) 24 - Plant Robert W. Scherer Purchase and Sale Agreement dated as of May 16, 1980, between GEORGIA and Dalton. See Exhibit 10(a)28 herein

(c) 25 - Plant Robert W. Scherer Unit Number Three Purchase and Ownership Participation Agreement dated as of March 1, 1984, Amendment No. 1 dated as of July 1, 1986 and Amendment No. 2 dated as of August 1, 1988, between GEORGIA and GULF. See Exhibit 10(a)29 herein

(c) 26 - Plant Robert W. Scherer Unit Number Three Operating Agreement dated as of March 1, 1984, between GEORGIA and GULF. See Exhibit 10(a)30 herein

(c) 27 - Plant Robert W. Scherer Unit No. Four Amended and Restated Purchase and Ownership Participation Agreement by and among GEORGIA, FP&L and JEA dated as of December 31, 1990 and Amendment No. 1 dated as of June [illegible]994 See Exhibit 10(a)31 herein.

(c) 28 - Plant Robert W. Scherer Unit No. Four Operating Agreement by and among GEORGIA, FP&L and JEA dated as of December 31, 1990 and Amendment No. 1 dated as of June 15, 1994. See Exhibit 10(a)32 herein

(c) 29 - Amended and Restated Unit Power Sales Agreement dated February 18, 1982 and Amendment No. 1 dated May 18, 1982, between FP&L and ALABAMA GEORGIA, GULF, MISSISSIPPI and SCS. See Exhibit 10(a)33 herein

(c) 30 - Amended and Restated Unit Power Sales Agreement dated May 19, 1982 Amendment No. 1, dated August 30, 1984 and Amendment No. 2 dated October 30, 1987, between JEA and ALABAMA, GEORGIA, GULF, MISSISSIPPI and SCS. See Exhibit 10(a)34 herein.

(c) 31 - Unit Power Sales Agreement dated July 19, 1988, between FPC and ALABAMA GEORGIA, GULF, MISSISSIPPI, SAVANNAH and SCS. See Exhibit 10(a)35 herein.

(c) 32 - Amended Unit Power Sales Agreement dated July 20, 1988, between FP&L and ALABAMA, GEORGIA, GULF, MISSISSIPPI, SAVANNAH and SCS. See Exhibit 10(a)36 herein

(c) 33 - Amended Unit Power Sales Agreement dated August 17, 1988, between JEA and ALABAMA, GEORGIA, GULF, MISSISSIPPI, SAVANNAH and SCS. See Exhibit 10(a)37 herein

(c) 34 - Unit Power Sales Agreement dated December 8, 1990, between Tallahassee and ALABAMA, GEORGIA, GULF, MISSISSIPPI, SAVANNAH and SCS. See Exhibit 10(a)38 herein

(c) 35 - Power Purchase Agreement dated as of December 3, 1993 between GEORGIA and FPC. See Exhibit 10(a)57 herein

(c) 36 - Transition Energy Agreement dated December 31, 1990, between JEA and ALABAMA, GEORGIA, GULF, MISSISSIPPI, SAVANNAH and SCS. See Exhibit 10(a)39 herein.

(c) 37 - Transition Energy Agreement dated December 31, 1990, between FP&L and ALABAMA, GEORGIA, GULF, MISSISSIPPI, SAVANNAH and SCS. See Exhibit 10(a)40 herein

(c) 38 - Rocky Mountain Pumped Storage Hydroelectric Project Ownership Participation Agreement dated November 18, 1988, between OPC and GEORGIA. See Exhibit 10(a)41 herein

(c) 39 - Rocky Mountain Pumped Storage Hydroelectric Project Operating Agreement dated November 18, 1988, between OPC and GEORGIA. See Exhibit 10(a)42 herein.

(c) 40 - Form of commitment agreement, Amendment No. 1 and Amendment No. 2 with respect to SOUTHERN, ALABAMA, GEORGIA and MISSISSIPPI revolving credits. See Exhibit 10(a)46 herein.

(c) 41 - Block Power Sale Agreement between GEORGIA and OPC dated as of November 12, 1990. See Exhibit 10(a)47 herein.

(c) 42 - Coordination Services Agreement between GEORGIA and OPC dated as of November 12, 1990. See Exhibit 10(a)48 herein.

(c) 43 - Amended and Restated Nuclear Managing Board Agreement for Plant Hatch and Plant Vogtle among GEORGIA, OPC, MEAG and Dalton dated as of July 1, 1993 See Exhibit 10(a)49 herein.

(c) 44 - Integrated Transmission System Agreement, Power Sale and Coordination Umbrella Agreement between GEORGIA and OPC dated as of November 12, 1990. See Exhibit 10(a)50 herein.

(c) 45 - Revised and Restated Integrated Transmission System Agreement between GEORGIA and Dalton dated as of December 7, 1990. See Exhibit 10(a)51 herein.

(c) 46 - Revised and Restated Integrated Transmission System Agreement between GEORGIA and MEAG dated as of December 7, 1990. See Exhibit 10(a)52 herein.

(c) 47 - Plant Scherer Managing Board Agreement dated as of December 31, 1990 among GEORGIA, OPC, MEAG, Dalton, GULF, FP&L and JEA. See Exhibit 10(a)54 herein.

(c) 48 - Plant McIntosh Combustion Turbine Purchase and Ownership Participation Agreement between GEORGIA and SAVANNAH dated as of December 15, 1992 See Exhibit 10(a)55 herein.

(c) 49 - Plant McIntosh Combustion Turbine Operating Agreement between GEORGIA and SAVANNAH dated as of December 15, 1992. See Exhibit 10(a)56 herein.

(c) 50 - Certificate of Limited Partnership of Georgia Power Capital. (Designated in Certificate of Notification, File No. 70-8461, as Exhibit B.)

(c) 51 - Amended and Restated Agreement of Limited Partnership of Georgia Power Capital, dated as of December 1, 1994. (Designated in Certificate of Notification, File No. 70-8461, as Exhibit C.)

(c) 52 - Action of General Partner of Georgia Power Capital creating the Series A Preferred Securities. (Designated in Certificate of Notification, File No. 70-8461 as Exhibit D.)

(c) 53 - Guarantee Agreement of GEORGIA dated as of December 1, 1994, for the benefit of the holders from time to time of the Series A Preferred Securities (Designated in Certificate of Notification, File No. 70-8461, as Exhibit G.)

(c) 54 - Nuclear Services Agreement between Southern Nuclear and GEORGIA dated as of October 31, 1991. See Exhibit 10(a)59 herein.

(c) 55 - Nuclear Managing Board Agreement among GEORGIA, OPC, MEAG and Dalton dated as of November 12, 1990. See Exhibit 10(a)60 herein

(c) 56 - The Southern Company Productivity Improvement Plan, Amended and Restated effective January 1, 1995. See Exhibit 10(a)61 herein

(c) 57 - The Southern Company Executive Productivity Improvement Plan, effective January 1, 1995. See Exhibit 10(a)62 herein

(c) 58 - The Southern Company Employee Savings Plan, Amended and Restated effective July 3, 1995 and First Amendment and Second Amendment thereto. See Exhibit 10(a)63 herein

* (c) 59 - Third Amendment and Fourth Amendment to The Southern Company Employee Savings Plan. See Exhibit 10(a)64 herein

(c) 60 - The Southern Company Employee Stock Ownership Plan, Amended and Restated effective April 1, 1995 and First Amendment thereto. See Exhibit 10(a)65 herein

* (c) 61 - Second Amendment to The Southern Company Employee Stock Ownership Plan See Exhibit 10(a)66 herein

(c) 62 - Pension Plan For Employees of GEORGIA, Amended and Restated effective as of January 1, 1989. See Exhibit 10(a)69 herein

* (c) 63 - First Amendment, Second Amendment and Third Amendment to the Pension Plan For Employees of GEORGIA. See Exhibit 10(a)70 herein

* (c) 64 - The Southern Company Performance Pay Plan, Amended and Restated effective January 1, 1996. See Exhibit 10(a)73 herein

(c) 65 - Supplemental Benefit Plan for GEORGIA. See Exhibit 10(a)78 herein

(c) 66 - The Southern Company Deferred Compensation Plan. See Exhibit 10(a)79 herein

(c) 67 - The Southern Company Outside Directors Pension Plan. See Exhibit 10(a)78 herein

(c) 68 - Outside Directors Stock Plan for Subsidiaries of The Southern Company and First Amendment thereto. See Exhibit 10(a)81 herein

* (c) 69 - The Southern Company Pension Plan, effective as of January 1, 1997. See Exhibit 10(a)83 herein

(d) 1 - Service contracts dated as of January 1, 1984 and Amendment No. 1 dated as of September 6, 1985, between SCS and ALABAMA, GEORGIA, GULF, MISSISSIPPI, SEGCO and SOUTHERN. See Exhibit 10(a)1 herein

(d) 2 - Interchange contract dated October 28, 1988, effective January 1, 1989, between ALABAMA, GEORGIA, GULF, MISSISSIPPI, SAVANNAH and SCS. See Exhibit 10(a)6 herein

(d) 3 - Plant Robert W. Scherer Unit Number Three Purchase and Ownership Participation Agreement dated as of March 1, 1984, Amendment No. 1 dated as of July 1, 1986 and Amendment No. 2 dated as of August 1, 1988, between GEORGIA and GULF. See Exhibit 10(a)29 herein

(d) 4 - Plant Robert W. Scherer Unit Number Three Operating Agreement dated as of March 1, 1984, between GEORGIA and GULF. See Exhibit 10(a)30 herein

(d) 5 - Plant Scherer Managing Board Agreement dated as of December 31, 1990 among GEORGIA, OPC, MEAG, Dalton, GULF, FP&L and JEA. See Exhibit 10(a)54 herein.

(d) 6 - Amended and Restated Unit Power Sales Agreement dated February 18, 1982 and Amendment No. 1 dated May 18, 1982, between FP&L and ALABAMA, GEORGIA, GULF, MISSISSIPPI and SCS. See Exhibit 10(a)33 herein

(d) 7 - Amended and Restated Unit Power Sales Agreement dated May 19, 1982, Amendment No. 1 dated August 30, 1984 and Amendment No. 2 dated October 30, 1987, between JEA and ALABAMA, GEORGIA, GULF, MISSISSIPPI and SCS. See Exhibit 10(a)34 herein.

(d) 8 - Unit Power Sales Agreement dated July 19, 1988, between FPC and ALABAMA, GEORGIA, GULF, MISSISSIPPI, SAVANNAH and SCS. See Exhibit 10(a)35 herein

(d) 9 - Amended Unit Power Sales Agreement dated July 20, 1988, between FP&L and ALABAMA, GEORGIA, GULF, MISSISSIPPI, SAVANNAH and SCS. See Exhibit 10(a)36 herein

(d) 10 - Amended Unit Power Sales Agreement dated August 17, 1988, between JEA and ALABAMA, GEORGIA, GULF, MISSISSIPPI, SAVANNAH and SCS. See Exhibit 10(a)37 herein

(d) 11 - Agreement between GULF and AEC, effective August 1, 1985. (Designated in GULF's Form 10-K for the year ended December 31, 1985, File No. 0-2429, as Exhibit 10(g).)

(d) 12 - Unit Power Sales Agreement dated December 8, 1990, between Tallahassee and ALABAMA, GEORGIA, GULF, MISSISSIPPI, SAVANNAH and SCS. See Exhibit 10(a)38 herein.

(d) 13 - Transition Energy Agreement dated December 31, 1990, between JEA and ALABAMA, GEORGIA, GULF, MISSISSIPPI, SAVANNAH and SCS. See Exhibit 10(a)39 herein.

(d) 14 - Transition Energy Agreement dated December 31, 1990, between FP&L and ALABAMA, GEORGIA, GULF, MISSISSIPPI, SAVANNAH and SCS. See Exhibit 10(a)40 herein.

(d) 15 - The Southern Company Productivity Improvement Plan, Amended and Restated effective January 1, 1995. See Exhibit 10(a)61 herein.

(d) 16 - The Southern Company Executive Productivity Improvement Plan, effective January 1, 1995. See Exhibit 10(a)62 herein.

(d) 17 - The Southern Company Employee Savings Plan, Amended and Restated effective July 3, 1995 and First Amendment and Second Amendment thereto. See Exhibit 10(a)63 herein.

* (d) 18 - Third Amendment and Fourth Amendment to The Southern Company Employee Savings Plan. See Exhibit 10(a)64 herein.

(d) 19 - The Southern Company Employee Stock Ownership Plan, Amended and Restated effective April 1, 1995 and First Amendment thereto. See Exhibit 10(a)65 herein.

* (d) 20 - Second Amendment to The Southern Company Employee Stock Ownership Plan. See Exhibit 10(a)66 herein.

(d) 21 - Pension Plan For Employees of GULF, Amended and Restated effective as of January 1, 1989. (Designated in GULF's Form 10-K for the year ended December 31, 1994, File No. 0-2429, as Exhibit 10(d)18.)

* (d) 22 - First Amendment, Second Amendment and Third Amendment to the Pension Plan For Employees of GULF.

* (d) 23 - The Southern Company Performance Pay Plan, Amended and Restated effective January 1, 1996. See Exhibit 10(a)73 herein.

(d) 24 - Supplemental Benefit Plan for GULF. (Designated in GULF's Form 10-K for the year ended December 31, 1995, File No. 0-2429, as Exhibit 10(d)22.)

(d) 25 - The Southern Company Deferred Compensation Plan. See Exhibit 10(a)79 herein.

(d) 26 - The Southern Company Outside Directors Pension Plan. See Exhibit 10(a)78 herein.

(d) 27 - Outside Directors Stock Plan for Subsidiaries of The Southern Company and First Amendment thereto. See Exhibit 10(a)81 herein.

* (d) 28 - The Southern Company Pension Plan, effective as of January 1, 1997. See Exhibit 10(a)82 herein.

MISSISSIPPI

(e) 1 - Service contracts dated as of January 1, 1984 and Amendment No. 1 dated September 6, 1985, between SCS and ALABAMA, GEORGIA, GULF, MISSISSIPPI, SEGCO and SOUTHERN. See Exhibit 10(a)1 herein.

(e) 2 - Interchange contract dated October 28, 1988, effective January 1, 1989, between ALABAMA, GEORGIA, GULF, MISSISSIPPI, SAVANNAH and SCS. See Exhibit 10(a)6 herein.

(e) 3 - Amended and Restated Unit Power Sales Agreement dated February 18, 1982 and Amendment No. 1 dated May 18, 1982, between FP&L and ALABAMA, GEORGIA, GULF, MISSISSIPPI and SCS. See Exhibit 10(a)33 herein.

(e) 4 - Amended and Restated Unit Power Sales Agreement dated May 19, 1982, Amendment No. 1 dated August 30, 1984, and Amendment No. 2 dated October 30, 1987, between JEA and ALABAMA, GEORGIA, GULF, MISSISSIPPI and SCS. See Exhibit 10(a)34 herein.

(e) 5 - Unit Power Sales Agreement dated July 19, 1988, between FPC and ALABAMA, GEORGIA, GULF, MISSISSIPPI, SAVANNAH and SCS. See Exhibit 10(a)35 herein.

(e) 6 - Amended Unit Power Sales Agreement dated July 20, 1988, between FP&L and ALABAMA, GEORGIA, GULF, MISSISSIPPI, SAVANNAH and SCS. See Exhibit 10(a)36 herein.

(e) 7 - Amended Unit Power Sales Agreement dated August 17, 1988, between JEA and ALABAMA, GEORGIA, GULF, MISSISSIPPI, SAVANNAH and SCS. See Exhibit 10(a)37 herein.

(e) 8 - Unit Power Sales Agreement dated December 8, 1990, between Tallahassee and ALABAMA, GEORGIA, GULF, MISSISSIPPI, SAVANNAH and SCS. See Exhibit 10(a)38 herein.

(e) 9 - Transition Energy Agreement dated December 31, 1990, between JEA and ALABAMA, GEORGIA, GULF, MISSISSIPPI, SAVANNAH and SCS. See Exhibit 10(a)39 herein.

(e) 10 - Transition Energy Agreement dated December 31, 1990, between FP&L and ALABAMA, GEORGIA, GULF, MISSISSIPPI, SAVANNAH and SCS. See Exhibit 10(a)40 herein.

(e) 11 - Transmission Facilities Agreement dated February 25, 1982, Amendment No. 1 dated May 12, 1982 and Amendment No. 2 dated December 6, 1983, between Gulf States and MISSISSIPPI. See Exhibit 10(a)45 herein.

(e) 12 - Form of commitment agreement, Amendment No. 1 and Amendment No. 2 with respect to SOUTHERN, ALABAMA, GEORGIA and MISSISSIPPI revolving credits. See Exhibit 10(a)46 herein.

(e) 13 - Long Term Transmission Service Agreement between Entergy Power, Inc. and ALABAMA, MISSISSIPPI and SCS. See Exhibit 10(a)53 herein.

(e) 14 - The Southern Company Productivity Improvement Plan, Amended and Restated effective January 1, 1995. See Exhibit 10(a)61 herein.

(e) 15 - The Southern Company Executive Productivity Improvement Plan, effective January 1, 1995. See Exhibit 10(a)62 herein.

(e) 16 - The Southern Company Employee Savings Plan, Amended and Restated effective July 3, 1995 and First Amendment and Second Amendment thereto. See Exhibit 10(a)63 herein.

* (e) 17 - Third Amendment and Fourth Amendment to The Southern Company Employee Savings Plan. See Exhibit 10(a)64 herein.

(e) 18 - The Southern Company Employee Stock Ownership Plan, Amended and Restated effective April 1, 1995 and First Amendment thereto. See Exhibit 10(a)65 herein.

* (e) 19 - Second Amendment to The Southern Company Employee Stock Ownership Plan. See Exhibit 10(a)66 herein.

(e) 20 - Pension Plan For Employees of MISSISSIPPI, Amended and Restated effective as of January 1, 1989. (Designated in MISSISSIPPI's Form 10-K for the year ended December 31, 1994, File No. 0-6849, as Exhibit 10(e)18.)

* (e) 21 - First Amendment, Second Amendment and Third Amendment to the Pension Plan For Employees of MISSISSIPPI.

* (e) 22 - The Southern Company Performance Pay Plan, Amended and Restated effective January 1, 1996. See Exhibit 10(a)73 herein.

* (e) 23 - Supplemental Benefit Plan for MISSISSIPPI, Amended and Restated effective as of January 1, 1996.

(e) 24 - The Southern Company Deferred Compensation Plan. See Exhibit 10(a)79 herein.

(e) 25 - The Southern Company Outside Directors Pension Plan. See Exhibit 10(a)78 herein.

(e) 26 - Outside Directors Stock Plan for Subsidiaries of The Southern Company and First Amendment thereto. See Exhibit 10(a)81 herein.

* (e) 27 - The Southern Company Pension Plan, effective as of January 1, 1997. See Exhibit 10(a)83 herein.

SAVANNAH

(f) 1 - Service contract dated as of March 3, 1988, between SCS and SAVANNAH. See Exhibit 10(a)3 herein.

(f) 2 - Interchange contract dated October 28, 1988, effective January 1, 1989, between ALABAMA, GEORGIA, GULF, MISSISSIPPI, SAVANNAH and SCS. See Exhibit 10(a)6 herein.

(f) 3 - Unit Power Sales Agreement dated July 19, 1988, between FPC and ALABAMA, GEORGIA, GULF, MISSISSIPPI, SAVANNAH and SCS. See Exhibit 10(a)35 herein.

(f) 4 - Amended Unit Power Sales Agreement dated July 20, 1988, between FP&L and ALABAMA, GEORGIA, GULF, MISSISSIPPI, SAVANNAH and SCS. See Exhibit 10(a)36 herein.

(f) 5 - Amended Unit Power Sales Agreement dated August 17, 1988, between JEA and ALABAMA, GEORGIA, GULF, MISSISSIPPI, SAVANNAH and SCS. See Exhibit 10(a)37 herein.

(f) 6 - Unit Power Sales Agreement dated December 8, 1990, between Tallahassee and ALABAMA, GEORGIA, GULF, MISSISSIPPI, SAVANNAH and SCS. See Exhibit 10(a)38 herein.

(f) 7 - Transition Energy Agreement dated December 31, 1990, between JEA and ALABAMA, GEORGIA, GULF, MISSISSIPPI, SAVANNAH and SCS. See Exhibit 10(a)39 herein.

(f) 8 - Transition Energy Agreement dated December 31, 1990 between FP&L and ALABAMA, GEORGIA, GULF, MISSISSIPPI, SAVANNAH and SCS. See Exhibit 10(a)40 herein.

(f) 9 - Plant McIntosh Combustion Turbine Purchase and Ownership Participation Agreement between GEORGIA and SAVANNAH dated as of December 15, 1992. See Exhibit 10(a)55 herein.

(f) 10 - Plant McIntosh Combustion Turbine Operating Agreement between GEORGIA and SAVANNAH dated December 15, 1992. See Exhibit 10(a)56 herein.

(f) 11 - The Southern Company Productivity Improvement Plan, Amended and Restated effective January 1, 1995. See Exhibit 10(a)61 herein.

(f) 12 - The Southern Company Executive Productivity Improvement Plan, effective January 1, 1995. See Exhibit 10(a)62 herein.

(f) 13 - The Southern Company Employee Savings Plan, Amended and Restated effective July 3, 1995 and First Amendment and Second Amendment thereto. See Exhibit 10(a)63 herein.

* (f) 14 - Third Amendment and Fourth Amendment to The Southern Company Employee Savings Plan. See Exhibit 10(a)64 herein

(f) 15 - The Southern Company Employee Stock Ownership Plan, Amended and Restated effective April 1, 1995 and First Amendment thereto. See Exhibit 10(a)65 herein

* (f) 16 - Second Amendment to The Southern Company Employee Stock Ownership Plan See Exhibit 10(a)66 herein.

(f) 17 - Employees' Retirement Plan of SAVANNAH, Amended and Restated effective January 1, 1989 and First Amendment thereto. (Designated in SAVANNAH's Form 10-K for the year ended December 31, 1994, File No. 1-5072, as Exhibit 10(f)15 and in SAVANNAH's Form 10-K for the year ended December 31, 1995, File No. 1-5072, as Exhibit 10(f)16.)

* (f) 18 - Second Amendment and Third Amendment to the Employees' Retirement Plan of SAVANNAH.

(f) 19 - Supplemental Executive Retirement Plan of SAVANNAH, Amended and Restated effective January 1, 1996. (Designated in SAVANNAH's Form 10-K for the year ended December 31, 1995, File No. 1-5072, as Exhibit 10(f)17.)

* (f) 20 - First Amendment to the Supplemental Executive Retirement Plan of SAVANNAH.

(f) 21 - Deferred Compensation Plan for Key Employees of SAVANNAH and First Amendment thereto. (Designated in SAVANNAH's Form 10-K for the year ended December 31, 1994, File No. 1-5072, as Exhibit 10(f)17 and in SAVANNAH's Form 10-K for the year ended December 31, 1995, File No. 1-5072, as Exhibit 10(f)19.)

* (f) 22 - Second Amendment to the Deferred Compensation Plan for Key Employees of SAVANNAH.

* (f) 23 - The Southern Company Performance Pay Plan, Amended and Restated effective January 1, 1996. See Exhibit 10(a)73 herein

(f) 24 - The Southern Company Outside Directors Pension Plan. See Exhibit 10(a)78 herein

(f) 25 - Deferred Compensation Plan for Directors of SAVANNAH and First Amendment, Second Amendment and Third Amendment thereto. (Designated in SAVANNAH's Form 10-K for the year ended December 31, 1994, File No. 1-5072, as Exhibit 10(f)20.)

* (f) 26 - Fourth Amendment to the Deferred Compensation Plan for Directors of SAVANNAH.

(f) 27 - Outside Directors Stock Plan for Subsidiaries of The Southern Company and First Amendment thereto. See Exhibit 10(a)81 herein.

(21) ***Subsidiaries of Registrants** - Contained herein at page IV-5.

(23) **Consents of Experts and Counsel**

SOUTHERN

* (a) - The consent of Arthur Andersen LLP is contained herein at page IV-6.

ALABAMA

* (b) - The consent of Arthur Andersen LLP is contained herein at page IV-7

GEORGIA

* (c) - The consent of Arthur Andersen LLP is contained herein at page IV-8.

GULF

* (d) - The consent of Arthur Andersen LLP is contained herein at page IV-9.

MISSISSIPPI

* (e) - The consent of Arthur Andersen LLP is contained herein at page IV-10

SAVANNAH

* (f) - The consent of Arthur Andersen LLP is contained herein at page IV-11

(24) **Powers of Attorney and Resolutions**

SOUTHERN

* (a) - Power of Attorney and resolution

ALABAMA

* (b) - Power of Attorney and resolution

GEORGIA

* (c) - Power of Attorney and resolution

GULF

* (d) - Power of Attorney and resolution

MISSISSIPPI

* (e) - Power of Attorney and resolution.

SAVANNAH

* (f) - Power of Attorney and resolution

(27) **Financial Data Schedule**

SOUTHERN

(a) - Financial Data Schedule. (Designated in Form 8-K dated February 12, 1997, File No. 1-3526, as Exhibit 27.)

ALABAMA

(b) - Financial Data Schedule. (Designated in Form 8-K dated February 12, 1997, File No. 1-3164, as Exhibit 27.)

GEORGIA

(c) - Financial Data Schedule. (Designated in Form 8-K dated February 12, 1997, File No. 1-6468, as Exhibit 27.)

GULF

(d) - Financial Data Schedule. (Designated in Form 8-K dated February 12, 1997, File No. 0-2429, as Exhibit 27.)

MISSISSIPPI

(e) - Financial Data Schedule. (Designated in Form 8-K dated February 12, 1997, File No. 0-6849, as Exhibit 27.)

SAVANNAH

(f) - Financial Data Schedule. (Designated in Form 8-K dated February 12, 1997, File No. 1-5072, as Exhibit 27.)

EXHIBIT C.1.

ESCAMBIA COUNTY, FLORIDA

to

FIRST UNION NATIONAL BANK,

as Trustee

TRUST INDENTURE

Dated as of July 1, 1997

Relating to

$37,000,000
Pollution Control Revenue Refunding Bonds
(Gulf Power Company Project)
Series 1997

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TRUST INDENTURE

THIS INDENTURE made and entered into as of July 1, 1997, by and between ESCAMBIA COUNTY, FLORIDA, a "local agency" as defined in the Florida Industrial Development Financing Act, being Part II of Chapter 159, Florida Statutes, Sections 159.25 through 159.431, as amended (the "Act"), and a political subdivision of the State of Florida (the "Issuer"), and FIRST UNION NATIONAL BANK, a national banking association duly organized, existing and authorized to accept and execute trusts of the character herein set out under and by virtue of the laws of the United States of America, as trustee (the "Trustee").

RECITALS

A. In furtherance of its statutory purposes, the Issuer has entered into a Loan Agreement dated as of July 1, 1997 (the "Agreement") with Gulf Power Company (the "Company") providing for the undertaking by the Issuer to loan amounts to the Company in order to refund certain of the Issuer's bonds heretofore issued to refinance the acquisition, construction, installation and equipping of the Company's interest in certain air and water pollution control and sewage and solid waste disposal facilities, or portions thereof, at Plant Crist in Escambia County, Florida and Plant Lansing Smith, in Bay County, Florida.

B. The Agreement provides that, for the purposes therein set forth, the Issuer will issue and sell its Pollution Control Revenue Refunding Bonds (Gulf Power Company Project), Series 1997, in the aggregate principal amount of $37,000,000 (the "Bonds"); that the Issuer will loan the proceeds of the Bonds to the Company; and that to evidence the Loan (as hereinafter defined) the Company will execute and deliver, concurrently with the issuance of the Bonds, a non-negotiable promissory note in a like principal amount bearing interest at the rate or rates borne by the Bonds.

C. The execution and delivery of this Indenture (as hereinafter defined) and the Agreement and the issuance and sale of the Bonds have been in all respects duly and validly authorized by resolution duly adopted by the Issuer.

D. The Company has agreed to make payments on the aforementioned promissory note to the Issuer in amounts sufficient to pay the principal, purchase price, premium, if any, and interest on the Bonds, all as hereinafter defined.

E. The Trustee has accepted the trusts created by this Indenture and in evidence thereof has joined in the execution hereof.

Accordingly, the Issuer and the Trustee agree as follows for the benefit of each other and for the benefit of the holders of the Bonds issued pursuant to this Indenture.

GRANTING CLAUSE

NOW, THEREFORE, THIS INDENTURE WITNESSETH, that in consideration of the premises, of the acceptance by the Trustee of the trusts hereby created, and the purchase and acceptance of the Bonds by the holders thereof, and also for and in consideration of the sum of One Dollar ($1.00) to the Issuer in hand paid by the Trustee at or before the execution and delivery of this Indenture, the receipt of which is hereby acknowledged, and for the purpose of fixing and declaring the terms and conditions upon which the Bonds are to be issued, authenticated, delivered, secured and accepted by all persons who shall from time to time be or become holders thereof, and in order to secure the payment of all Bonds at any time issued and outstanding hereunder and the interest and the premiums, if any, payable upon redemption or purchase in lieu of redemption thereon according to their tenor, purport and effect, and in order to secure the performance and observance of all the covenants, agreements and conditions therein or herein contained; the Issuer has executed and delivered this Indenture, and will cause the Company to deliver to the Trustee the Deed of Trust (as hereinafter defined) and the Company's promissory note dated the date of the initial issuance of the Bonds; the Issuer does hereby bargain, sell, convey, assign and pledge to the Trustee, and grant to the Trustee a security interest in, all rights, title and interests of the Issuer in, to and under the Deed of Trust and such promissory note and all payments, if any, made and to be made thereunder as security for the payment of all outstanding Bonds and the interest and the premium, if any, thereon and does hereby bargain, sell, convey, assign and pledge to the Trustee, and grant to the Trustee a security interest in, all other rights, title and interests of the Issuer in, to and under the Agreement and all moneys receivable thereunder (except for Unassigned Rights, as defined herein) as security for the satisfaction of any other obligation assumed by it in connection with all outstanding Bonds at any time issued hereunder;

TO HAVE AND TO HOLD the same unto the Trustee and its successors in trust forever;

IN TRUST NEVERTHELESS, upon the terms and trusts herein set forth, for the equal and proportionate benefit and security of all and singular present and future holders of the Bonds issued under this Indenture, without preference, priority or distinction as to lien or otherwise, except as otherwise hereinafter provided, of any one Bond over any other Bond, by reason of priority in the issue, sale or negotiation thereof or otherwise;

PROVIDED, HOWEVER, that if the Issuer, its successors or assigns shall pay or cause to be paid the principal of, premium, if any, and interest on the Bonds due or to become due thereon, at the times and in the manner mentioned in the Bonds, and shall perform all the covenants and conditions required of it by this Indenture, and shall pay or cause to be paid to the Trustee and any additional paying agents all sums of money due or to become due to them in accordance with the terms and provisions hereof, then upon such final payments this Indenture and the rights hereby granted shall terminate and the Trustee shall release this Indenture and shall execute such documents to evidence such termination and release as may be reasonably required by the Issuer; otherwise this Indenture to be and remain in full force and effect.

THIS INDENTURE FURTHER WITNESSETH, and it is expressly declared, that all Bonds from time to time issued and secured hereunder are to be issued, authenticated and

delivered, and all said property, rights and interests, including, without limitation, the amounts hereby assigned and pledged, are to be dealt with and disposed of subject to the terms of this Indenture, and the Issuer agrees with the Trustee and with the respective owners, from time to time, of said Bonds, or part thereof, as follows:

ARTICLE I

DEFINITIONS AND RULES OF CONSTRUCTION

Section 1.01. Definitions. For all purposes of this Indenture, unless the context requires otherwise, the following terms shall have the following meanings:

"*Act*" means the Florida Industrial Development Financing Act, being Part II of Chapter 159, Florida Statutes, Sections 159.25 through 159.431, as amended.

"*Agreement*" means the Loan Agreement dated as of July 1, 1997, between the Issuer and the Company, as amended and supplemented from time to time.

"*Beneficial Owner*" means the purchaser of a beneficial interest in the Bonds when the Bonds are held by the Securities Depository in the Book-Entry System, and otherwise means a Bondholder.

"*Bondholder*" or "*holder*" means the registered owner of any Bond.

"*Bonds*" means the Pollution Control Revenue Refunding Bonds (Gulf Power Company Project), Series 1997 issued by the Issuer hereunder in the aggregate principal amount of $37,900,000.

"*Book-Entry System*" means the system maintained by the Securities Depository described in Section 5.01.

"*Business Day*" means any day other than (i) a Saturday or Sunday, (ii) a day on which commercial banks in New York, New York, Jacksonville, Florida, Atlanta, Georgia, or the city in which the designated corporate trust office of the Trustee is located, are authorized by law to close or (iii) a day on which the New York Stock Exchange is closed.

"*Code*" means the Internal Revenue Code of 1986, as amended, and the Treasury regulations thereunder.

"*Commercial Paper Mode*" means each period of time, comprised of Commercial Paper Periods, during which Commercial Paper Rates are in effect.

"*Commercial Paper Period*" means, with respect to any Bond, each period set under Section 2.02(a)(3).

"*Commercial Paper Rate*" means the interest rate on each Bond set under Section 2.02(a)(3).

"*Company*" means Gulf Power Company, a Maine corporation, and its successors and assigns, and any surviving, resulting or transferee entity as provided in Section 4.3 of the Agreement.

"*Daily Rate*" means an interest rate on the Bonds set under Section 2.02(a)(1).

"*Deed of Trust*" means the Subordinate Land Deed of Trust dated July 1, 1997 between the Company, as grantor, and the Issuer, as beneficiary, providing for the security conveyance of certain property of the Company described therein.

"*Event of Default*" is defined in Section 8.01.

"*Favorable Opinion of Tax Counsel*" means an Opinion of Tax Counsel addressed to the Issuer and to the Trustee to the effect that the action proposed to be taken is permitted by the laws of the State and by this Indenture and will not adversely affect any exclusion from gross income for federal income tax purposes of interest on the Bonds.

"*Government Obligations*" means (i) noncallable direct obligations of the United States for which its full faith and credit are pledged, (ii) noncallable obligations of a Person controlled or supervised by and acting as an agency or instrumentality of the United States, the timely payment of which is unconditionally guaranteed as a full faith and credit obligation of the United States, or (iii) securities or receipts evidencing ownership interests in obligations or specified portions (such as principal or interest) of obligations described in (i) or (ii).

"*Indenture*" means this Trust Indenture, as it may be amended or supplemented from time to time in accordance with its terms.

"*Interest Payment Date*" is defined in the form of the Bonds appearing in Exhibit A hereto.

"*Interest Period*" is defined in the form of the Bonds appearing in Exhibit A hereto.

"*J.J. Kenny Index*" means, as of any date, the index of 7-day yields on high grade tax exempt municipal bonds as determined by J.J. Kenny Co., Inc. or any successor thereto and published on such date (or, if not published on said date, on the most recent day prior thereto on which such index shall have been so published).

"*Long-Term Interest Rate*" means an interest rate on the Bonds set under Section 2.02(a)(4).

"*Long-Term Interest Rate Period*" is defined in Section 2.02(a)(4).

"*Maturity Date*" means the stated maturity for the Bonds as set forth in Section 2.01.

"*1987 Indenture*" means the Trust Indenture dated as of June 1, 1987, as supplemented and amended, between the Issuer and the 1987 Refunded Bonds Trustee under which the 1987 Refunded Bonds were issued.

"*1987 Refunded Bonds*" means $32,000,000 principal amount of the Issuer's Pollution Control Revenue Refunding Bonds (Gulf Power Company Project), Series 1987, being refunded by the Bonds.

"*1987 Refunded Bonds Trustee*" means First Union National Bank, as successor to Florida National Bank, in its capacity as trustee for the 1987 Refunded Bonds.

"*1954 Code*" means the Internal Revenue Code of 1954, as amended, and the Treasury regulations thereunder.

"*1992 Indenture*" means the Trust Indenture dated as of March 1, 1992, as supplemented and amended, between the Issuer and the 1992 Refunded Bonds Trustee under which the 1992 Refunded Bonds were issued.

"*1992 Refunded Bonds*" means $5,000,000 principal amount of the Issuer's Pollution Control Revenue Refunding Bonds (Gulf Power Company Project), Series 1992, being refunded by the Bonds.

"*1992 Refunded Bonds Trustee*" means First Union National Bank, as successor to First Union National Bank of Florida, in its capacity as trustee for the 1992 Refunded Bonds.

"*Note*" means the promissory note executed and delivered by the Company concurrently with the issuance of the Bonds in a like principal amount bearing interest at the rate or rates borne by the Bonds.

"*Opinion of Counsel*" means a written opinion of counsel who is acceptable to the Issuer and the Trustee. Such counsel may be an employee of or counsel to the Issuer, the Trustee or the Company.

"*Opinion of Tax Counsel*" means an Opinion of Counsel by counsel of nationally recognized standing in matters relating to the exclusion of interest from gross income on obligations issued by or on behalf of states and their political subdivisions.

The term "*outstanding*" when used with reference to Bonds, or "*Bonds outstanding*" means all Bonds which have been authenticated and delivered by the Trustee under this Indenture, except the following:

a. Bonds canceled or purchased by or delivered to the Trustee for cancellation.

b. Bonds that have become due (at maturity or on redemption, acceleration or otherwise) and for the payment, including interest accrued to the due date, of which sufficient moneys are held by the Trustee.

c. Bonds deemed paid by Section 7.01.

d. Bonds in lieu of which others have been authenticated under Section 2.05 (relating to registration and exchange of Bonds) or Section 2.06 (relating to mutilated, lost, stolen, destroyed or undelivered Bonds).

Bonds purchased pursuant to tenders or in lieu of redemption and not delivered to the Trustee for payment are not outstanding, but there will be outstanding Bonds authenticated and delivered in lieu of such undelivered Bonds as provided in the second paragraph of Section 2.06.

"*Participant*" means one of the entities which deposit securities, directly or indirectly, in the Book-Entry System.

"*Person*" means any individual, corporation, partnership, joint venture, association, joint stock company, trust, estate, unincorporated organization or government or any agency or political subdivision thereof.

The term "*principal*," when used with reference to any Bonds, includes any premium payable on those Bonds.

"*Prior Indentures*" means the 1987 Trust Indenture and the 1992 Trust Indenture.

"*Project*" has the meaning assigned to such term in the Agreement.

"*Record Date*" is defined in the form of the Bonds appearing as Exhibit A hereto.

"*Refunded Bonds*" means the 1987 Refunded Bonds and the 1992 Refunded Bonds.

"*Refunded Bonds Trustees*" means the 1987 Refunded Bonds Trustee and the 1992 Refunded Bonds Trustee.

"*Remarketing Agent*" means SunTrust Bank, Atlanta and its successors under this Indenture.

"*Responsible Officer*" means any officer or trust officer of the Trustee assigned by the Trustee to administer its corporate trust matters.

"*Securities Depository*" means The Depository Trust Company, New York, New York or its nominee, and its successors and assigns, or any successor appointed under Section 5.01.

"*State*" means the State of Florida.

"*Trustee*" means the entity identified as such in the heading of this Indenture and its successors under this Indenture.

"*Unassigned Rights*" means the rights of the Issuer under Section 4.2 and Section 5.3 of the Agreement.

"*Weekly Rate*" means an interest rate on the Bonds set under Section 2.02(a)(2).

Section 1.02. Rules of Construction. Unless the context otherwise requires,

a. an accounting term not otherwise defined has the meaning assigned to it in accordance with generally accepted accounting principles,

b. references to Articles and Sections are to the Articles and Sections of this Indenture, and

c. the singular form of any word, including the terms defined in Section 1.01, includes the plural, and vice versa, and a word of any gender includes all genders.

ARTICLE II

THE BONDS

Section 2.01. Issuance of Bonds; Form; Dating. The Bonds shall be designated "Escambia County, Florida Pollution Control Revenue Refunding Bonds (Gulf Power Company Project), Series 1997." The total principal amount of Bonds that may be outstanding shall not exceed $37,000,000. The Bonds shall be substantially in the form of *Exhibit A*, which is part of this Indenture, in the denominations provided for in the Bonds. The Bonds may have notations, legends or endorsements required by law or usage.

All Bonds will be dated the date of original issuance and delivery and shall mature, subject to prior redemption, on July 1, 2022. Bonds will be numbered as determined by the Trustee.

Upon the execution and delivery of this Indenture, the Issuer will execute and deliver to the Trustee and the Trustee will authenticate the Bonds and deliver them to the purchaser or purchasers as directed by the Issuer.

Section 2.02. Interest on the Bonds. Interest on the Bonds will be payable as provided in the Bonds and in this Section. Interest on the Bonds will initially be payable at the Daily Rate. The interest rate determination method may be changed by the Company as described in paragraph (b) below. The methods of determining the various interest rates are as provided in the following paragraph (a).

(a) *Interest Rate Determination Methods*. While there exists an Event of Default under the Indenture, the interest rate on the Bonds will be the rate on the Bonds on the day before the Event of Default occurred, except that if interest on any Bond was then payable at a Commercial Paper Rate, the interest rate for all Bonds then bearing interest at a Commercial Paper Rate will be the highest Commercial Paper Rate then in effect for any Bond.

(1) *Daily Rate*. When interest on the Bonds is payable at a Daily Rate, the Remarketing Agent will set a Daily Rate on or before 11:00 a.m., New York City time, on each Business Day for that Business Day. Each Daily Rate will be the minimum rate necessary (as determined by the Remarketing Agent based on the examination of tax-exempt obligations comparable to the Bonds known by the Remarketing Agent to have been priced or traded under then-prevailing market conditions) for the Remarketing Agent to sell the Bonds on the day the rate is set at their principal amount (without regard to accrued interest). The Daily Rate for any non-Business Day will be the rate for the last day for which a rate was set.

(2) *Weekly Rate*. When interest on the Bonds is payable at a Weekly Rate, the Remarketing Agent will set a Weekly Rate on or before 5:00 p.m., New York City time, on the last Business Day before the commencement of a period during which the Bonds bear interest at a Weekly Rate and on each Tuesday thereafter so long as interest on the Bonds is to be payable at a Weekly Rate or, if any Tuesday is not a Business Day, on the next preceding Business Day. Each Weekly Rate will be the minimum rate necessary (as determined by the Remarketing Agent based on the examination of tax-exempt obligations comparable to the Bonds known by the Remarketing Agent to have been priced or traded under then prevailing market conditions) for the Remarketing Agent to sell the Bonds on the date the rate is set at their principal amount (without regard to accrued interest). Thereafter, each Weekly Rate shall apply to (i) the period beginning on the Wednesday after the Weekly Rate is set and ending on the following Tuesday or, if earlier, ending on the day before the effective date of a new method of determining the interest rate on the Bonds or (ii) the period beginning on the effective date of the change to a Weekly Rate and ending on the next Tuesday.

(3) *Commercial Paper Rate*. During a Commercial Paper Mode, each Bond will bear interest during the Commercial Paper Period for such Bond at the Commercial Paper Rate for such Bond. Different Commercial Paper Periods may apply to different Bonds at any time and from time to time. Except as otherwise described in this subparagraph (3), the Commercial Paper Period and Commercial Paper Rate for each Bond will be determined by the Remarketing Agent no later than 12:15 p.m., New York City time, on the first day of each Commercial Paper Period.

(i) *Determination of Commercial Paper Periods*. Subject to Section 2.02(b)(2)(vii), each Commercial Paper Period will be a period of at least 1 day and not more than 365 days, determined by the Remarketing Agent to be the period which, together with all other Commercial Paper Periods for all Bonds then outstanding, will, in the judgment of the Remarketing Agent, result in the lowest overall interest expense on the Bonds over the next 365 days. Each Commercial

Paper Period will end on either the day before a Business Day or on the day before the Maturity Date for such Bond. However, any Bond purchased on behalf of the Company and remaining unsold by the Remarketing Agent as of the close of business on the first day of the Commercial Paper Period for that Bond will have a Commercial Paper Period of 1 day or, if that Commercial Paper Period would not end on a day before a Business Day, a Commercial Paper Period of the shortest possible duration greater than 1 day ending on a day before a Business Day.

In determining the number of days in each Commercial Paper Period, the Remarketing Agent shall take into account the following factors: (I) existing short-term tax-exempt market rates and indices of such short-term rates, (II) the existing market supply and demand for short-term tax-exempt securities, (III) existing yield curves for short-term and long-term tax-exempt securities for obligations of credit quality comparable to the Bonds, (IV) general economic conditions, (V) industry economic and financial conditions that may affect or be relevant to the Bonds, (VI) the number of days in other Commercial Paper Periods applicable to the Bonds and (VII) such other facts, circumstances and conditions as the Remarketing Agent, in its sole discretion, shall determine to be relevant.

(ii) *Determination of Commercial Paper Rates*. The Commercial Paper Rate for each Commercial Paper Period for each Bond shall be the minimum rate necessary (as determined by the Remarketing Agent based on the examination of tax-exempt obligations comparable to the Bonds known by the Remarketing Agent to have been priced or traded under then-prevailing market conditions) for the Remarketing Agent to sell such Bond on the date and at the time of such determination at its principal amount (without regard to accrued interest).

(4) *Long-Term Interest Rate*. The Remarketing Agent will set a Long-Term Interest Rate on a date no more than 15 days before the beginning of any period (a "*Long-Term Interest Rate Period*") in which interest on any of the Bonds will be payable at a Long-Term Interest Rate. The last day of each such Long-Term Interest Rate Period shall be determined by the Company in accordance with Section 2.02(b)(1). Each Long-Term Interest Rate will be the minimum rate necessary (as determined by the Remarketing Agent based on the examination of tax-exempt obligations comparable to the Bonds known by the Remarketing Agent to have been priced or traded under then-prevailing market conditions) for the Remarketing Agent to sell the Bonds on the effective date of the Long-Term Interest Rate at their principal amount (without regard to accrued interest).

(5) *Failure of Remarketing Agent to Announce Interest Rates on the Bonds*. If the appropriate interest rate or Commercial Paper Period is not or cannot be determined for whatever reason, the method of determining interest on the Bonds shall be automatically converted to the Weekly Rate (without the necessity of complying with the requirements of Section 2.02(b)) and the interest rate shall be equal to the J.J. Kenny Index, or such other index (or percentage of an index) deemed appropriate for tax-exempt

securities of the nature of the Bonds as the Remarketing Agent, with the consent of the Trustee, may have previously selected, until such time as the method of determining interest on the Bonds can be changed in accordance with Section 2.02(b); *provided*, that if the Bonds are then in a Long-Term Interest Rate Period, the Bonds shall bear interest at a Weekly Rate, but only if a Favorable Opinion of Tax Counsel with respect to the change to a Weekly Rate has been delivered to the Trustee and the Issuer. If such Favorable Opinion of Tax Counsel has not been delivered, the Bonds shall remain in a Long-Term Interest Rate Period with an interest rate equal to the interest rate for the prior Long-Term Interest Rate Period and with a duration equal to the prior Long-Term Interest Rate Period (or, if earlier, a Long-Term Interest Rate Period ending on the day before the Maturity Date for such Bond). The Trustee shall promptly notify the Bondholders of any such automatic change as set forth in Section 2.02(c).

While Bonds are in a Commercial Paper Mode, during any transition period caused by an automatic conversion of such Bonds to a Weekly Rate in accordance with this Subsection (5), Bonds bearing interest at a Weekly Rate and Bonds bearing interest at a Commercial Paper Rate, as applicable, shall be governed by the provisions of this Indenture applicable to such methods of determining interest on the Bonds.

(b) (1) *Change in Interest Rate Determination Method* The Company may change the method of determining the interest rate on the Bonds by notifying the Issuer, the Trustee, the Remarketing Agent and, if a Book-Entry System is then in effect for the Bonds, the Securities Depository. Such notice shall contain (a) the effective date, (b) the proposed interest rate determination method, and (c) if the change is to a Long-Term Interest Rate or Rates, the last day of the first such Long-Term Interest Rate Period and, at the option of the Company, the effective date and last day of any successive Long-Term Interest Rate Periods (which last day for each Long-Term Interest Rate Period must be either the day before the Maturity Date for such Bonds or a day which is before a Business Day and is at least 365 days after the effective date). The Long-Term Interest Rate Period shall be the same duration for all of the Bonds. The notice must be accompanied by a Favorable Opinion of Tax Counsel, except as described below. If the Company's notice complies with this paragraph, and if the Company shall deliver addressed to the Trustee and the Issuer a confirming Opinion of Tax Counsel on the effective date as specified in the notice, the interest rate on the Bonds will be payable at the new rate on the effective date specified in the notice until there is another change as provided in this Section. Notwithstanding anything in this Indenture to the contrary, the Company must deliver a Favorable Opinion of Tax Counsel whenever there is a change from a period during which the interest rate on the Bonds is set at intervals of 365 days or less to a period during which the interest rate on the Bonds is set at intervals in excess of 365 days, or vice versa.

If the Company wishes to designate successive Long-Term Interest Rate Periods without specifying the effective dates and last days as described in the preceding paragraph for the second or any subsequent Long-Term Interest Rate Periods, it may do so by following the same procedure as for a change in the interest rate determination method as provided in the foregoing paragraph.

If, 30 days before the end of a Long-Term Interest Rate Period, the Company has not provided for the next interest rate period, a new Long-Term Interest Rate Period of the same duration will follow (or if shorter, a Long-Term Interest Rate Period ending on the day before the Maturity Date for the Bonds).

When one Long-Term Interest Rate Period follows another, all provisions of this Indenture applying to a change in the interest rate determination method will apply, except:

(A) the redemption described under "Mandatory Redemption Upon a Change in the Method of Determining the Interest Rate on the Bonds" in the Bonds;

(B) the Company will not be required to deliver a Favorable Opinion of Tax Counsel if a new Long-Term Interest Rate Period begins as a result of the Company failing to provide for the next interest rate period; and

(C) the Company will not be required to deliver a Favorable Opinion of Tax Counsel if the Company has previously designated a series of successive Long-Term Interest Rate Periods which, together with the current Long-Term Interest Rate Period, are substantially equal in length, and if a Favorable Opinion of Tax Counsel was delivered before the first such Long-Term Interest Rate Period in that series which applies to each such successive Long-Term Interest Rate Period.

(2) *Limitations*. Any change in the method of determining interest on the Bonds pursuant to paragraph (1) above must comply with the following:

(i) the effective date of a change (or each effective date in the case of a change from a Commercial Paper Mode) shall be a Business Day which is at least 15 days (30 days if Long-Term Interest Rate is then in effect and the effective date is before the day after the last day of a Long-Term Interest Rate Period) after the twelfth Business Day after receipt by the Trustee of the Company's notice of the change;

(ii) if a Long-Term Interest Rate is then in effect, the effective date of any change must be either the day after the last day of the then current Long-Term Interest Rate Period or, except as described in clause (iii) below, a day on which the Bonds would otherwise be subject to redemption or purchase in lieu of redemption under the paragraph "Optional Redemption at a Premium During Long-Term Interest Rate Period" in Section 8 of the Bonds if the change did not occur;

(iii) if the Company has previously designated successive Long-Term Interest Rate Periods, the effective date of each Long-Term Interest Rate Period must be the day after the last day of the previous Long-Term Interest Rate Period;

(iv) if a Commercial Paper Mode is then in effect, the effective date of any change must be either the day after the last day of the Commercial Paper Mode or, as to any Bond, the day after the last day of the Commercial Paper Period then in effect (or to be in effect) with respect to that Bond;

(v) if any Bonds have been called for redemption and the redemption has not yet occurred, the effective date of the change cannot be before such redemption date;

(vi) if a Long-Term Interest Rate or a Daily Rate is then in effect, the effective date of any change cannot occur during the period after a Record Date and to, but not including, the related Interest Payment Date; and

(vii) if a Commercial Paper Mode is then in effect, the Remarketing Agent shall determine Commercial Paper Periods of such duration that will, in the judgment of the Remarketing Agent, best promote an orderly transition on the effective date. After the receipt by the Trustee of the Company's notice of such change, the day after the last day of each Commercial Paper Period shall be, with respect to such Bond, the effective date of the change. The Remarketing Agent shall promptly give written notice of each such last date and each such effective date with respect to each Bond to the Issuer, the Company, and the Trustee.

During any such transition period, Bonds bearing interest at a Commercial Paper Rate shall be governed by the provisions of this Indenture applicable to a Commercial Paper Mode and Bonds bearing interest at a Daily Rate, Weekly Rate or Long-Term Interest Rate, as applicable, shall be governed by the provisions of this Indenture applicable to such methods of determining interest on the Bonds.

(c) *Notice to Bondholders of Change in Interest Rate Determination Method*. When a change in the interest rate determination method is to be made, or upon commencement of a new Long-Term Interest Rate Period, the Trustee will, upon notice from the Company pursuant to Section 2.02(b), notify the Bondholders by first class mail at least 15 days before the effective date (or each effective date in the case of an adjustment from a Commercial Paper Mode) of the change, except that such notice shall be given at least 30 days prior to the effective date if a Long-Term Interest Rate is in effect and the effective date is on or before the end of the Long-Term Interest Rate Period. The notice shall be effective when sent and shall state:

(1) that the interest rate determination method will be changed and what the new method will be,

(2) the effective date of the new rate, and

(3) that a mandatory redemption or mandatory purchase in lieu of redemption will result on the effective date of the change as provided in the Bonds and all the information required by this Indenture to be included in a notice of redemption set forth in Section 3.04.

The information required in any notice pursuant to this subsection (c) and the information referred to in any redemption notice (including an Additional Notice) pursuant to Section 3.04 may be combined in a single notice if it is sent to Bondholders in the manner and at the time specified under "Notice of Redemption" in Section 8 of the form of the Bonds.

(d) *Calculation of Interest.* The Remarketing Agent shall provide the Trustee and the Company with notice in writing or by telephone (any such notice by telephone to be delivered to a Responsible Officer of the Trustee) promptly confirmed by facsimile transmission by 12:30 p.m., New York City time,

(1) on the first Business Day after a month in which interest on the Bonds was payable at a Daily Rate, of the Daily Rate for each day in such month,

(2) on each day on which a Weekly Rate becomes effective, of the Weekly Rate,

(3) on the first day of each Commercial Paper Period, of the length thereof and the Commercial Paper Rate, and, if there is more than one Commercial Paper Rate then in effect, of the related applicable principal amounts,

(4) on the first Business Day of a Long-Term Interest Rate Period, of the Long-Term Interest Rate or Long-Term Interest Rates set for that period and the related applicable principal amounts, and

(5) on any Business Day preceding any redemption or purchase date, any interest rate requested by the Trustee in order to enable it to calculate the accrued interest, if any, due on such redemption or purchase date.

Using the rates supplied by this notice, the Trustee will calculate the interest payable on the Bonds. The Remarketing Agent will inform the Trustee and the Company orally at the oral request of either of them of any interest rate set by the Remarketing Agent. The Trustee will confirm the effective interest rate by telephone or in writing to any Bondholder who requests it in any manner.

The setting of the rates and the determination of Commercial Paper Periods by the Remarketing Agent and the calculation of interest payable on the Bonds by the Trustee as provided in this Indenture will be conclusive and binding on the Issuer, the Company, the Trustee and the owners of the Bonds.

(e) *Change in Rate Determination Method-Opinions of Counsel.* Notwithstanding any provision of this Section 2.02, no change shall be made in the interest rate determination method at the direction of the Company pursuant to Section 2.02(b)(1) hereof if the Company shall fail to deliver a Favorable Opinion of Tax Counsel and confirmation thereof required under Section 2.02(b)(1). If the Trustee shall have sent any notice to the Bondholders regarding a change in rate under Section 2.02(c), then in the event of such failure to deliver such opinion or confirmation, the Trustee shall promptly notify all Bondholders of such failure.

Section 2.03. Execution and Authentication. The Bonds shall be signed on behalf of the Issuer with the manual or facsimile signature of the Chairman or Vice Chairman of its Board of County Commissioners and attested by the manual or facsimile signature of its Clerk or

Deputy Clerk, and the seal of the Issuer shall be impressed or imprinted on the Bonds by facsimile or otherwise. All authorized facsimile signatures shall have the same effect as if manually signed. If an officer of the Issuer whose signature is on a Bond no longer holds that office at the time the Trustee authenticates the Bond, the Bond shall nevertheless be valid. Also, if a person signing a Bond is the proper officer on the actual date of execution, the Bond shall be valid even if that person is not the proper officer on the nominal date of action.

A Bond shall not be valid for any purpose under this Indenture until the Trustee manually signs the certificate of authentication on the Bond. Such signature shall be conclusive evidence that the Bond has been authenticated under this Indenture.

As a precondition to the initial authentication and delivery of the Bonds, the Trustee shall receive a request and authorization to the Trustee from the Issuer, signed by the Chairman or Vice Chairman of the Issuer, to authenticate and deliver the Bonds to the persons and in the manner therein described.

Section 2.04. Bond Register. Bonds must be presented at the principal corporate trust office of the Trustee for registration, registration of transfer, exchange and payment. Bonds tendered by their holders must be delivered as specified in the Bonds. The Trustee shall keep a register of Bonds and of their registration of transfer and exchange, which register shall be open to inspection by the Issuer and the Company during normal business hours.

Section 2.05. Registration and Exchange of Bonds; Persons Treated as Owners. Bonds may be registered as transferred only on the register maintained by the Trustee. Upon surrender for registration of transfer of any Bond to the Trustee, duly endorsed for transfer or accompanied by an assignment duly executed by the holder or the holder's attorney duly authorized in writing, the Trustee will authenticate a new Bond or Bonds of the same maturity, in an equal total principal amount and registered in the name of the transferee.

Bonds may be exchanged for an equal total principal amount of Bonds of the same maturity but of different authorized denominations. The Trustee will authenticate and deliver Bonds that the Bondholder making the exchange is entitled to receive, bearing numbers not then outstanding.

Except in connection with the purchase of Bonds tendered for purchase or purchased in lieu of redemption, the Trustee will not be required to register the transfer of or to exchange any Bond called for redemption or during the period beginning 15 days before the mailing of notice calling the Bonds or any portion of the Bonds for redemption and ending on the redemption date.

The registered owner of a Bond shall be treated as the absolute owner of the Bond for all purposes, and payment of principal, interest or purchase price shall be made only to or upon the written order of the holder or the holder's legal representative, notwithstanding any notice, actual or constructive, to the contrary.

The Trustee will require the payment by a Bondholder requesting exchange or registration of transfer of any tax or other governmental charge required to be paid in respect of the exchange or registration of transfer but will not impose any other charge.

Section 2.06. Mutilated, Lost, Stolen, Destroyed or Undelivered Bonds. If any Bond is mutilated, lost, stolen or destroyed, the Trustee will authenticate a new Bond of the same denomination with similar terms if any mutilated Bond shall first be surrendered to the Trustee, and if, in the case of any lost, stolen or destroyed Bond, there shall first be furnished to the Issuer, the Trustee and the Company evidence of such loss, theft or destruction, together with an indemnity, satisfactory to them. If the Bond has matured or become subject to redemption or purchase, instead of issuing a replacement Bond, the Trustee may with the consent of the Company pay the Bond without requiring surrender of the Bond and make such requirements as the Trustee deems fit for its protection, including a lost instrument bond. The Issuer, the Company and the Trustee may charge their reasonable fees and expenses in this connection.

If a Bond is called for redemption and the Company elects to purchase the Bond in lieu of redemption as provided in Article III, or if the holder of a Bond gives irrevocable instructions to the Remarketing Agent for purchase, and in each case funds are deposited with the Trustee sufficient for the purchase, the Trustee upon request of the Company or the Remarketing Agent will authenticate a new Bond in the same maturity and in the same denomination registered as the Company or the Remarketing Agent may direct and deliver it to the Company or upon the Company's order, whether or not the Bond purchased or called for redemption is ever delivered, and the undelivered Bonds shall be canceled on the books of the Trustee, whether or not said undelivered Bonds have been delivered to the Trustee. From and after the purchase date, interest on such Bond shall cease to be payable to the prior holder thereof, such holder shall cease to be entitled to the benefits or security of this Indenture and shall have recourse solely to the funds held by the Trustee for the purchase of such Bond and the Trustee shall not register any further transfer of such Bond by such prior holder. All funds held by the Trustee for the purchase of undelivered Bonds sh ' be held uninvested.

Section 2.07. Cancellation of Bonds. Whenever a Bond is delivered to the Trustee for cancellation (upon payment, redemption or otherwise), or for registration of transfer, exchange or replacement pursuant to Section 2.05 or Section 2.06, the Trustee will promptly cancel and dispose of the Bond in accordance with the Trustee's policy of disposal; provided, however, that the Trustee shall not be required to destroy canceled Bonds.

Section 2.08. Temporary Bonds. Until definitive Bonds are ready for delivery, the Issuer may execute and the Trustee will authenticate temporary Bonds substantially in the form of the definitive Bonds, with appropriate variations. The Issuer will, without unreasonable delay, prepare and the Trustee will authenticate definitive Bonds in exchange for the temporary Bonds. Such exchange shall be made by the Trustee without charge.

ARTICLE III

REDEMPTION, PURCHASES IN LIEU OF REDEMPTION AND REMARKETING

Section 3.01. Notices to Trustee. If the Company wishes that any Bonds be redeemed pursuant to any optional redemption provision in the Bonds, the Company will notify the Trustee of the applicable provision, the redemption date, the principal amount of the Bonds to be redeemed and other necessary particulars in accordance with Section 4.7 of the Agreement.

Section 3.02. Redemption Dates. The redemption date of Bonds to be redeemed pursuant to any optional redemption provision in the Bonds will be a date permitted by the Bonds and specified by the Company in the notice delivered pursuant to Section 4.7 of the Agreement. The redemption date for mandatory redemptions will be as specified in the Bonds to be redeemed or determined by the Trustee consistently with the provisions of the Bonds.

Section 3.03. Selection of Bonds to Be Redeemed. Except as provided in the Bonds, if fewer than all the Bonds are to be redeemed, the Trustee will select the Bonds to be redeemed by lot or other method it deems fair and appropriate, except that the Trustee will first select any Bonds owned by the Company or any of its nominees or held by the Trustee for the account of the Company or any of its nominees. The Trustee will make the selection from Bonds not previously called for redemption. For this purpose, the Trustee will consider each Bond in a denomination larger than the minimum denomination permitted by the Bonds at the time to be separate Bonds each in the minimum denomination. Provisions of this Indenture that apply to Bonds called for redemption also apply to portions of Bonds called for redemption.

Section 3.04. Redemption Notices.

(a) *Official Notice of Redemption.* The Trustee will give notice of each redemption as provided in the Bonds and will at the same time give a copy of the notice to the Remarketing Agent, *provided that* no redemption notice shall be given with respect to a redemption under "Mandatory Redemption on Each Interest Payment Date During Commercial Paper Mode" in Section 8 of the form of the Bonds. The notice shall identify the Bonds to be redeemed and shall state (1) the redemption date (and, if the Bonds provide that accrued interest will not be paid on the redemption date, the date it will be paid), (2) the redemption price, (3) that the Bonds called for redemption must be surrendered to collect the redemption price, (4) the address at which the Bonds must be surrendered and (5) that interest on the Bonds called for redemption ceases to accrue on the redemption date.

With respect to an optional redemption of any Bonds under "Optional Redemption at a Premium During Long-Term Interest Rate Period," "Extraordinary Optional Redemption" or "Optional Redemption During Daily or Weekly Rate Period" in Section 8 of the form of the Bonds, unless moneys sufficient to pay the principal of, redemption premium, if any, and interest on the Bonds to be redeemed shall have been received by the Trustee prior to the giving of such notice of redemption, such notice may state that said redemption shall be conditional upon the receipt of such moneys by the Trustee on or prior to the date fixed for redemption. If such moneys are not received, such notice shall be of no force and effect, the Issuer shall not redeem

such Bonds, the redemption price shall not be due and payable, and the Trustee shall give notice, in the same manner in which the notice of redemption was given, that such moneys were not so received and that such Bonds will not be redeemed.

Failure to give any required notice of redemption as to any particular Bonds or any defect therein will not affect the validity of the call for redemption of any Bonds in respect of which no such failure or defect has occurred. Any notice mailed as provided in the Bonds shall be effective when sent and will be conclusively presumed to have been given whether or not actually received by any holder.

(b) *Additional Notice of Redemption.* In addition to the redemption notice required above, if there is not a Book-Entry System in effect for the Bonds, further notice (the "*Additional Notice*") shall be given by the Trustee as set out below. No defect in the Additional Notice nor any failure to give all or any portion of the Additional Notice shall in any manner defeat the effectiveness of a call for redemption if notice is given as prescribed in paragraph (a) above.

(1) Each Additional Notice of redemption shall contain the information required in paragraph (a) above for an official notice of redemption plus (i) the CUSIP numbers of all Bonds being redeemed; (ii) the date of the Bonds as originally issued; (iii) the interest rate determination method for, or the rate of interest borne by each Bond being redeemed; (iv) the maturity date of each Bond being redeemed; and (v) any other descriptive information needed to identify accurately the Bonds being redeemed.

(2) Each Additional Notice of redemption shall be sent at least 30 days before the redemption date by registered or certified mail or overnight delivery service (or by such other means as the Trustee may have established with the securities depository or information service) to all registered securities depositories then in the business of holding substantial amounts of obligations similar to the Bonds (such depositories now being Depository Trust Company of New York, New York, Midwest Securities Trust Company of Chicago, Illinois, and Philadelphia Depository Trust Company of Philadelphia, Pennsylvania) and to one or more national information services that disseminate notices of redemption of obligations such as the Bonds.

The information required in any redemption notice (including an Additional Notice) pursuant to this Section and the information required in any notice pursuant to Section 2.02(c) may be combined in a single notice if it is sent to Bondholders in the manner and at the time specified under "Notice of Redemption" in Section 8 of the form of the Bonds.

Section 3.05. Payment of Bonds Called for Redemption. Upon surrender to the Trustee, Bonds called for redemption shall be paid or purchased in lieu of redemption as provided in this Article at the redemption price (including premium, if any) stated in the notice, plus interest accrued to the redemption date, or at a purchase price as provided in the form of Bond, except that interest payable on Bonds bearing interest at a Daily Rate will be paid on the fifth Business Day following the redemption date. Bonds called for redemption and purchased pursuant to a tender before the redemption date will not be redeemed but will be dealt with as provided below in this Article. Upon the payment of the redemption price of the Bonds being

redeemed, each check or other transfer of funds issued for such purpose shall bear the CUSIP number identifying, by issue and maturity, the Bonds being redeemed with the proceeds of such check or other transfer.

Section 3.06. Bonds Redeemed in Part. Subject to Article V, upon surrender of a Bond redeemed or purchased in lieu of redemption in part, the Trustee will authenticate for the holder a new Bond or Bonds in authorized denominations equal in principal amount to the unredeemed or unpurchased portion of the Bond surrendered.

Section 3.07. Purchase of Bonds in Lieu of Redemption. When Bonds are called for redemption pursuant to the paragraphs captioned "Optional Redemption at a Premium During Long-Term Interest Rate Period", "Mandatory Redemption at Beginning of a New Long-Term Interest Rate Period" or "Mandatory Redemption Upon a Change in the Method of Determining the Interest Rate on the Bonds" in Section 8 of the form of the Bonds, the Company may purchase some of or all the Bonds called for redemption for a price equal to the otherwise applicable redemption price, if it (or the Remarketing Agent) gives written notice to the Trustee by 5:00 p.m. New York City time on the day before the redemption date that it wishes to purchase the Bonds the principal amount of which is specified in the notice and furnishes the Trustee sufficient money in sufficient time for the Trustee to make the purchase on the redemption date. The Trustee will purchase Bonds called for redemption pursuant to the paragraph captioned "Mandatory Redemption on Each Interest Payment Date During Commercial Paper Mode" unless otherwise instructed in writing by the Company, or unless the Indenture otherwise requires that they be redeemed and canceled, before the redemption date. The Trustee will purchase the Bonds pursuant to this Section only as provided in Section 4.02.

Section 3.08. Disposition of Purchased Bonds. (a) *Bonds to be Remarketed.* Bonds purchased pursuant to tenders as provided in the form of Bonds or in lieu of redemption as provided in the foregoing Section will be offered for sale by the Remarketing Agent as provided in this Section except as follows:

(1) Bonds purchased pursuant to a tender after having been called for redemption under a provision in the form of Bond that does not provide the Company an option to purchase in lieu of redemption will be canceled.

(2) Bonds called for redemption under "Mandatory Redemption Upon a Change in the Method of Determining the Interest Rate on the Bonds" in Section 8 of the form of Bond, which are tendered between the date notice of redemption is given and the redemption date, may be remarketed before the redemption date only if the buyer receives a copy of the redemption notice from the Remarketing Agent.

(3) Bonds will not be offered for sale under this Section during the continuance of an Event of Default under Section 8.01(a), (b), (c) or (d). Bonds will be offered for sale under this Section during an event which with the passage of time or the giving of notice or both may become an Event of Default only in the sole discretion of the Remarketing Agent

(b) *Remarketing Effort*. Except to the extent the Company directs the Remarketing Agent not to do so, the Remarketing Agent will offer for sale and use reasonable efforts to sell all Bonds to be sold as provided in paragraph (a) above and, when directed by the Company, any Bonds held by the Company. The sale price of each Bond must be equal to the principal amount of each Bond plus accrued interest, if any, to the purchase date. The Company may direct the Remarketing Agent from time to time to cease and to resume sales efforts with respect to some of or all the Bonds. The Remarketing Agent may buy as principal any Bonds to be offered under this Section.

(c) *Notices in Respect of Tenders*. When the Trustee receives a notice from a Bondholder (or a Beneficial Owner through its direct Participant) as specified in Section 6 of the form of the Bond for the Bondholder (or a Beneficial Owner through its direct Participant) to tender Bonds, the Trustee will promptly notify the Remarketing Agent and the Company by facsimile transmission or telephone, promptly confirmed in writing, of the receipt of such notice, but in no event later than the following times:

(i) when the Bonds bear interest at a Daily Rate, no later than 11:30 a.m. (New York City time) on the same Business Day; and

(ii) when the Bonds bear interest at a Weekly Rate, no later than 11:15 a.m. (New York City time) on the Business Day next succeeding receipt of such notice

(d) *Delivery of Remarketed Bonds*.

(i) Except when a book-entry system of registration is in effect, the Trustee shall hold all Bonds delivered pursuant to this Section in trust for the benefit of the owners thereof until moneys representing the purchase price of such Bonds shall have been delivered to or for the account of or to the order of such Bondholders, and thereafter, if such Bonds are remarketed, shall deliver replacement Bonds, prepared by the Trustee in accordance with the directions of the Remarketing Agent and authenticated by the Trustee, for any Bonds purchased in accordance with the written directions of the Remarketing Agent to the Remarketing Agent for delivery to the purchasers thereof.

(ii) The Remarketing Agent shall advise the Trustee and the Company in writing or by facsimile transmission of the principal amount of Bonds which have been remarketed, together with the denominations and registration instructions (including taxpayer identification numbers) in accordance with the following schedule (all times of which are New York City time):

CURRENT METHOD OF INTEREST RATE DETERMINATION OR, IN CONNECTION WITH A CHANGE IN SUCH METHOD, THE NEW METHOD OF INTEREST RATE DETERMINATION	TIME BY WHICH INFORMATION TO BE FURNISHED TO TRUSTEE
Commercial Paper Period	12:15 p.m. on the purchase date
Daily Rate Period	12:15 p.m. on the purchase date
Weekly Rate Period	12:15 p.m. on the purchase date
Long-Term Interest Rate Period	12:15 p.m. on the purchase date

(iii) The terms of any sale by the Remarketing Agent shall provide for the authorization of the payment of the purchase price by the Remarketing Agent to the Trustee in exchange for Bonds registered in the name of the new Bondholder which shall be delivered by the Trustee to the Remarketing Agent at or before 2:00 p.m. (New York City time) on the purchase date if the purchase price has been received from the Remarketing Agent by the time set forth in Section 3.08(e) on the purchase date.

(e) *Delivery of Proceeds of Sale.* The Remarketing Agent shall deliver directly to the Trustee an amount equal to the principal amount thereof plus accrued interest, if any, of the Bonds which the Remarketing Agent has advised the Trustee have been remarketed pursuant to Section 3.08(d)(ii) no later than 12:30 p.m. (New York City time) on the purchase date.

ARTICLE IV

APPLICATION OF PROCEEDS AND PAYMENT OF BONDS

Section 4.01. Application of Proceeds. The Issuer will cause the proceeds of the initial sale of the Bonds to be deposited with the Trustee in a segregated trust account. On a date or dates to be designated by the Company the Trustee will disburse the proceeds of the initial sale of the Bonds and any investment earnings thereon pro rata to the Refunded Bonds Trustees for deposit in the bond fund created under each of the Prior Indentures, to be applied to pay the redemption price of the Refunded Bonds upon call for redemption.

Pursuant to Section 3.1 of the Agreement, the Company has agreed to pay to each of the Refunded Bonds Trustees the amount in excess of the proceeds of the Bonds needed to pay the redemption price of the Refunded Bonds.

Section 4.02. Payment of Bonds. The Trustee will make payments of principal of, premium, if any, and interest on the Bonds from moneys available to the Trustee under this Indenture for that purpose. The Trustee will pay the purchase price of tendered Bonds *first* from the proceeds of the remarketing of Bonds under Section 3.08 and *second* from other moneys available to the Trustee for that purpose.

All moneys received as proceeds of remarketing the Bonds under Section 3.08 shall be held segregated by the Trustee in a separate and segregated trust account. To the extent that the payment of principal or interest on the Bonds is made from moneys as described in this Section,

such payment shall also satisfy and discharge any payment obligation of the Company under the Note and the Trustee shall promptly notify the Company and the Mortgage Trustee in writing if such payment requirement has not been satisfied. If any Bond is redeemed prior to maturity or if the Company surrenders any Bond to the Trustee for cancellation, the Trustee shall cancel such Bond.

Section 4.03. Investments of Moneys. The Trustee will invest and reinvest moneys held by the Trustee as directed by the Company in writing, in:

(a) Government Obligations;

(b) Bonds and notes of the Federal Land Bank;

(c) Obligations of the Federal Intermediate Credit Bank;

(d) Obligations of the Federal Bank for Cooperatives;

(e) Bonds and notes of Federal Home Loan Banks;

(f) Negotiable or non-negotiable certificates of deposit, time deposits or similar banking arrangements, issued by a bank or trust company (which may be the commercial banking department of the Trustee or any bank or trust company under common control with the Trustee) or savings and loan association which are insured by the Federal Deposit Insurance Corporation or secured as to principal by Government Obligations; or

(g) Other investments then permitted by law.

The Trustee may make investments permitted by this Article through its own bond department or the bond departr nt of any bank or trust company under common control with the Trustee. The Trustee, when authorized by the Company, may trade with itself in the purchase and sale of securities for such investment. Investments will be registered in the name of the Trustee and held by or under the control of the Trustee. The Trustee will sell and reduce to cash a sufficient amount of investments whenever the cash held by the Trustee is insufficient. The Trustee shall not be liable for any loss from such investments to the extent directed by the Company.

Section 4.04. Moneys Held in Trust; Unclaimed Funds. The Trustee shall deposit into a separate and segregated trust account for the benefit of the Bondholders all moneys received by it for any payment on the Bonds. The proceeds of the initial sale of the Bonds shall be held in a separate and segregated trust account by the Trustee until disbursed as described in Section 4.01. Money received by the Remarketing Agent or the Trustee from the sale of a Bond under Section 3.08 or for the purchase of a Bond will be held segregated from other funds of the Remarketing Agent or the Trustee in trust for the benefit of the person from whom such Bond was purchased or the person delivering such purchase money, as the case may be, and will not be invested. The Trustee shall promptly, but in no event later than 30 days of their original deposit,

apply moneys received from the Company in accordance with this Indenture and as directed in writing by the Company.

Notwithstanding the provisions of the immediately preceding paragraph, any moneys which shall be set aside by the Trustee or deposited by the Trustee with the paying agents and which shall remain unclaimed by the holders of such Bonds for a period of six (6) years after the date on which such Bonds shall have become due and payable shall upon request in writing be paid to the Company or to such officer, board or body as may then be entitled by law to receive the same, and thereafter the holders of such Bonds shall look only to the Company or to such officer, board or body, as the case may be, for payment and then only to the extent of the amount so received without any interest thereon, and the Trustee, the Issuer and the paying agents shall have no responsibility with respect to such moneys.

ARTICLE V

BOOK-ENTRY SYSTEM

Section 5.01. Book-Entry System. The Bonds shall be initially issued in the name of Cede & Co., as nominee for The Depository Trust Company as the initial Securities Depository and registered owner of such Bonds, and held in the custody of the Securities Depository. A single certificate will be issued and delivered to the Securities Depository, or a custodian thereof, for the Bonds. The Beneficial Owners will not receive physical delivery of Bond certificates except as provided herein. For so long as the Securities Depository shall continue to serve as securities depository for such Bonds as provided herein, all transfers of beneficial ownership interests will be made by book-entry only on the records of the Securities Depository, and no investor or other party purchasing, selling or otherwise transferring beneficial ownership of such Bonds is to receive, hold or deliver any Bond certificate. The Issuer, the Company and the Trustee will recognize the Securities Depository or its nominee as the Bondholder of such Bonds for all purposes, including payment, notices and voting.

The Issuer and the Trustee covenant and agree, so long as The Depository Trust Company shall continue to serve as Securities Depository for the Bonds, to meet the requirements of The Depository Trust Company with respect to required notices and other provisions of the Letter of Representations among The Depository Trust Company, the Issuer, the Trustee, the Company and the Remarketing Agent, executed with respect to the Bonds.

The Issuer, the Trustee, the Company and the Remarketing Agent may conclusively rely upon (i) a certificate of the Securities Depository as to the identity of the Participants in the Book-Entry-System and (ii) a certificate of any such Participant as to the identity of, and the respective principal amount of Bonds beneficially owned by, the Beneficial Owners.

Whenever, during the term of the Bonds, the beneficial ownership thereof is determined by a book-entry at the Securities Depository, the requirements in this Indenture of holding, delivering or transferring Bonds shall be deemed modified to require the appropriate person to meet the requirements of the Securities Depository as to registering or registering the transfer of

the book-entry to produce the same effect. Any provision hereof permitting or requiring delivery of Bonds shall, while the Bonds are in a Book-Entry System, be satisfied by the notation on the books of the Securities Depository in accordance with applicable law.

The Trustee and the Issuer, at the direction and expense of the Company and with the consent of the Remarketing Agent, may from time to time appoint a successor Securities Depository and enter into an agreement with such successor Securities Depository to establish procedures with respect to the Bonds consistent with current industry practice. Any successor Securities Depository shall be a "clearing agency" registered under Section 17A of the Securities Exchange Act of 1934, as amended.

None of the Issuer, the Company, the Trustee nor the Remarketing Agent will have any responsibility or obligation to any Securities Depository, any Participants in the Book-Entry System or the Beneficial Owners with respect to (i) the accuracy of any records maintained by the Securities Depository or any Participant; (ii) the payment by the Securities Depository or by any Participant of any amount due to any Beneficial Owner in respect of the principal amount or redemption or purchase price of, or interest on, any Bonds; (iii) the delivery of any notice by the Securities Depository or any Participant; (iv) the selection of the Beneficial Owners to receive payment in the event of any partial redemption of the Bonds; or (v) any other action taken by the Securities Depository or any Participant.

Bond certificates are required to be delivered to and registered in the name of the Beneficial Owner, under the following circumstances:

(a) The Securities Depository determines to discontinue providing its service with respect to the Bonds and no successor Securities Depository is appointed as described above. Such a determination may be made at any time by giving 30 days' notice to the Issuer, the Company and the Trustee and discharging its responsibilities with respect thereto under applicable law.

(b) The Company determines not to continue the Book-Entry System through a Securities Depository.

The Trustee is hereby authorized to make such changes to the form of bond attached hereto as Exhibit A which are necessary or appropriate to reflect that the Book-Entry System is not in effect, that a successor Securities Depository has been appointed or that an additional or co-paying agent or tender agent has been designated pursuant to Section 13.03 hereof.

If at any time, the Securities Depository ceases to hold the Bonds all references herein to the Securities Depository shall be of no further force or effect.

ARTICLE VI

COVENANTS

Section 6.01. Payment of Bonds. The Issuer will promptly pay the principal of, premium, if any, and interest on, and other amounts due with respect to, the Bonds on the dates and in the manner provided in the Bonds, but only from the amounts assigned to and held by the Trustee under this Indenture. Neither the State of Florida, nor any political subdivision thereof (including Escambia County) shall be obligated to pay the principal of the Bonds, or the premium, if any, or interest thereon or other costs incidental thereto, the same being payable solely from the revenues and receipts hereinabove referred to.

The Bonds do not pledge the faith, credit or taxing power of the State of Florida or any political subdivision thereof, including the County, but shall be limited and special obligations payable solely from the proceeds derived by the Issuer under the Agreement and the Note, and neither the Issuer nor the State of Florida, nor any political subdivision thereof, shall ever be required to (i) levy ad valorem taxes on any property within its territorial limits to pay the principal of and premium, if any, and interest on the Bonds or to make any other payments provided for hereunder or under the Agreement or the Note for the Bonds, or (ii) pay the same from any funds of the Issuer other than those derived by the Issuer under the Agreement or the Note, and such Bonds shall not constitute a lien upon any property owned by or situated within the territorial limits of the Issuer except the proceeds derived under the Agreement and the Note.

Section 6.02. Performance of Covenants; Issuer. The Issuer covenants that it will faithfully perform at all times any and all covenants, undertakings, stipulations and provisions contained in this Indenture, in any and every Bond executed, authenticated and delivered hereunder and in all of its proceedings pertaining hereto. The Issuer covenants that it is duly authorized under the Constitution and laws of the State of Florida, including particularly and without limitation the Act, to issue the Bonds authorized hereby and to execute this Indenture, to assign and pledge the Note and the Agreement and the amounts payable under the Note and to pledge the amounts hereby pledged in the manner and to the extent herein set forth; that all action on its part necessary for the issuance of the Bonds and the execution and delivery of this Indenture has been duly and effectively taken; and that the Bonds in the hands of the owners thereof are and will be valid and enforceable obligations of the Issuer according to the terms thereof and hereof.

Section 6.03. Recording and Filing; Further Assurances. The Issuer will execute and deliver such supplemental indentures and such further instruments, and do such further acts, as the Trustee may reasonably require for the better assuring, assigning and confirming to the Trustee the amounts assigned under this Indenture for the payment of the Bonds. The Issuer further covenants that it will not create or suffer to be created any lien, encumbrance or charge upon its interest in the Note, the Deed of Trust or the Agreement, if any, except the lien of this Indenture.

Section 6.04. Tax Covenants. The Issuer covenants that it shall not knowingly take any action which would cause the Bonds to be treated as "arbitrage bonds" within the meaning of

Section 148 of the Internal Revenue Code of 1986, as amended, and the proposed, temporary or final regulations thereunder as such may be applicable to the Bonds or the proceeds derived from the sale of the Bonds or any other moneys; provided, however, that no action taken by the Issuer pursuant to and in accordance with the terms of the Agreement or this Indenture shall give rise in any manner whatsoever to any claim against or liability of the Issuer under this Indenture, and provided further, that any such claims or liabilities shall in all events be subject to the indemnification provisions of the Agreement.

Notwithstanding any provision of this Indenture to the contrary, the Trustee shall not be liable or responsible for any calculation or determination which may be required in connection with, or for the purpose of complying with, Section 148 of the Code, or any successor statute or any regulation, ruling or other judicial or administrative interpretation thereof, including, without limitation, the calculation of amounts required to be paid to the United States of America or the determination of the maximum amount which may be invested in nonpurpose obligations having a yield higher than the yield on the Bonds, and the Trustee shall not be liable or responsible for monitoring the compliance by the Issuer or the Company with any of the requirements of Section 148 of the Code or any applicable regulation, ruling or other judicial or administrative interpretation thereof; it being acknowledged and agreed that the sole obligation of the Trustee with respect to the investment of monies held under any fund or account created hereunder shall be to invest such monies in accordance with Section 4.03 hereof in each case pursuant to the instructions received by the Trustee in accordance with Section 4.03 hereof.

Section 6.05. Rights Under Agreement. The Agreement, a duly executed counterpart of which has been filed with the Trustee, sets forth the covenants and obligations of the Issuer and the Company, and reference is hereby made to the same for a detailed statement of said covenants and obligations of the Company thereunder; and the Issuer agrees that the Trustee in its own name or in the name of the Issuer may enforce all rights of the Issuer and all obligations of the Company under and pursuant to the Agreement for and on behalf of the Bondholders, whether or not the Issuer is in default hereunder.

Section 6.06. Designation of Additional Paying Agents. The Issuer may cause, with the consent of the Company, the necessary arrangements to be made through the Trustee and to be thereafter continued for the designation of additional paying agents and for providing for the payment of such of the Bonds as shall be presented when due at the designated corporate trust office of the Trustee, or its successor in trust hereunder, or at the designated principal office of said additional paying agents. All such funds held by said additional paying agents shall be held by each of them in trust and shall constitute a part of the trust estate and shall be subject to the security interest created hereby.

Section 6.07. Existence of Issuer. The Issuer covenants that it will at all times maintain its legal existence and will duly procure any necessary renewals and extensions thereof; will use its best efforts to maintain, preserve and renew all the rights, powers, privileges and franchises owned by it; and will comply with all valid acts, rules, regulations and orders of any legislative, executive, judicial or administrative body applicable to the Project.

ARTICLE VII

DISCHARGE OF INDENTURE

Section 7.01. Bonds Deemed Paid; Discharge of Indenture. Any Bond will be deemed paid for all purposes of this Indenture when (a) payment of the principal of and interest on the Bond to the due date of such principal and interest (whether at maturity, upon redemption or otherwise) or the payment of the purchase price either (1) has been made in accordance with the terms of the Bonds or (2) has been provided for by depositing with the Trustee in trust (A) moneys in an amount which are sufficient to make such payment and/or (B) Government Obligations maturing as to principal and interest in such amounts and at such times as will insure, without any further reinvestment, the availability of sufficient moneys to make such payment, and (b) all compensation and reasonable expenses of the Trustee pertaining to each Bond in respect of which such deposit is made have been paid or provided for to the Trustee's satisfaction. When a Bond is deemed paid, it will no longer be secured by or entitled to the benefits of this Indenture or be an obligation of the Issuer, and shall be payable solely from the moneys or Government Obligations under (a)(2) above, except that such Bond may be tendered if and as provided in the Bonds and it may be registered as transferred, exchanged, registered, discharged from registration or replaced as provided in Article II.

Notwithstanding the foregoing, upon the deposit of funds or Government Obligations under clause (a)(2) of the first paragraph of this Section, the purchase price of tendered Bonds shall be paid from the sale of Bonds under Section 3.08. If payment of such purchase price is not made from the sale of Bonds pursuant to Section 3.08, payment shall be made from funds (or Government Obligations) on deposit pursuant to this Section without the need of any further instruction or direction by the Company, in which case such Bonds shall be surrendered to the Trustee and canceled.

Notwithstanding the foregoing, no deposit under clause (a)(2) of the first paragraph of this Section shall be deemed a payment of a Bond until the (1) Company has furnished the Trustee an Opinion of Tax Counsel to the effect that the deposit of such cash or Government Obligations will not cause the Bonds to become "arbitrage bonds" under Section 148 of the Code and (2) (a) notice of redemption of the Bond is given in accordance with Article III or, if the Bond is not to be redeemed or paid within the next 60 days, until the Company has given the Trustee, in form satisfactory to the Trustee, irrevocable instructions (i) to notify, as soon as practicable, the owner of the Bond, in accordance with Article III, that the deposit required by (a)(2) above has been made with the Trustee and that the Bond is deemed to be paid under this Article and stating the maturity or redemption date upon which moneys are to be available for the payment of the principal of the Bond, and premium, if any, and interest on such Bond, if the Bond is to be redeemed rather than paid and (ii) to give notice of redemption not less than 30 nor more than 60 days prior to the redemption date for such Bond or (b) the maturity of the Bond.

When all outstanding Bonds are deemed paid under the foregoing provisions of this Section, the Trustee will upon request acknowledge the discharge of the lien of this Indenture, provided, however that the obligations relating to the tender for purchase as provided in the

Bonds and obligations under Article II in respect of the registration of transfer, exchange, registration, discharge from registration and replacement of Bonds shall survive the discharge of the lien of the Indenture.

Section 7.02. Application of Trust Money. The Trustee shall hold in trust money or Government Obligations deposited with it pursuant to the preceding Section and shall apply the deposited money and the money from the Government Obligations in accordance with this Indenture only to the payment of principal of, premium, if any, and interest on the Bonds and to the payment of the purchase price of tendered Bonds.

Section 7.03. Repayment to Company. Any excess money or securities held by the Trustee at any time under this Article and any money held by the Trustee under any provision of this Indenture for the payment of principal or interest or for the purchase of Bonds that remains unclaimed for six years shall upon request be promptly paid to the Company or to such officer, board or body as may then be entitled by law to receive the same, and thereafter the holders of such Bonds shall look only to the Company or to such officer, board or body, as the case may be, for payment and then only to the extent of the amount so received without any interest thereon, and the Trustee, the Issuer and the paying agents shall have no responsibility with respect to such moneys.

Section 7.04. Satisfaction of the Deed of Trust. At such time as all of the outstanding Bonds shall have been fully paid or provision made therefor in accordance with the provisions of this Indenture, whichever shall first occur, and the fees and expenses of the Trustee and any paying agents and all other amounts payable by the Company under the Agreement and the Note shall have been paid, the Trustee shall cause the execution and delivery to the Company of such documents as shall be necessary to effect or evidence the satisfaction, discharge and cancellation of the Deed of Trust.

ARTICLE VIII

DEFAULTS AND REMEDIES

Section 8.01. Events of Default. An "Event of Default" is any of the following:

(a) Default in the payment of any interest on any Bond when due and as the same shall become due and payable, which default continues for five days;

(b) Default in the due and punctual payment of principal on any Bond when due and payable, whether at maturity, upon redemption, or by declaration or otherwise;

(c) Default in the due and punctual payment of the purchase price of any Bond required to be purchased in accordance with its terms; or

(d) An event of default has occurred and is continuing under the Agreement.

Section 8.02. Acceleration. Upon the occurrence of an Event of Default the Trustee may, and upon the written request of the holders of not less than 25% in aggregate principal amount of Bonds then outstanding shall, by notice in writing delivered to the Issuer and the Company, declare the principal of all Bonds then outstanding and the interest accrued thereon immediately due and payable; and such principal and interest shall thereupon become and be immediately due and payable.

If after the principal of the Bonds and the accrued interest thereon have been so declared to be due and payable, all arrears of interest and interest on overdue installments of interest (if lawful) and the principal and premium, if any, on all Bonds then outstanding which shall have become due and payable otherwise than by acceleration and all other sums payable under this Indenture or upon the Bonds, except the principal of, and interest on, the Bonds which by such declaration shall have become due and payable, are paid by the Issuer, and the Issuer also performs all other things in respect of which it may have been in default hereunder and pays the reasonable charges of the Trustee, the Bondholders and any trustee appointed under law, including the Trustee's reasonable attorneys' fees, then, and in every such case, the Trustee shall annul such declaration and its consequences, and such annulment shall be binding upon all holders of Bonds issued hereunder; but no such annulment shall extend to or affect any subsequent default or impair any right or remedy consequent thereon. The Trustee shall forward a copy of any such annulment notice pursuant to this paragraph to the Issuer and the Company.

Section 8.03. Other Remedies. If an Event of Default occurs and is continuing, subject to Section 8.06, the Trustee, before or after declaring the principal of the Bonds and the interest accrued thereon immediately due and payable, may, and upon request of the holders of at least 25% in principal amount of the Bonds then outstanding shall, pursue any available remedy by proceeding at law or in equity available to the Trustee under the Agreement, the Note to collect the principal of or interest on the Bonds or to enforce the performance of any provision of the Bonds, the Note, this Indenture, the Deed of Trust or the Agreement.

The Trustee, as the assignee of all the right, title and interest of the Issuer in and to the Agreement and the Note, may enforce each and every right granted to the Issuer under the Agreement and the Note. In exercising such rights and the rights given the Trustee under this Article VIII, the Trustee shall take such action as, in the judgment of the Trustee applying the standards described in Section 9.01(a) hereof, would best serve the interests of the Bondholders.

Section 8.04. Legal Proceeding by Trustee. If any Event of Default has occurred and is continuing, the Trustee in its discretion may, and upon the written request of the holders of not less than 25% in principal amount of all Bonds then outstanding and receipt of indemnity to its satisfaction shall, in its own name:

(a) by mandamus, or other suit, action or proceeding at law or in equity, enforce all rights of the Bondholders, including the right, subject to Section 12.10 hereof, to require the Issuer to enforce any rights under the Agreement and to require the Issuer to carry out any other provisions of this Indenture for the benefit of the Bondholder and to perform its duties under the Act;

(b) bring suit upon the Bonds;

(c) by action or suit in equity require the Issuer to account as if it were the trustee of an express trust for the Bondholders; or

(d) by action or suit in equity enjoin any acts or things which may be unlawful or in violation of the rights of the Bondholders.

No remedy conferred upon or reserved to the Trustee or to the Bondholders by the terms of this Indenture is intended to be exclusive of any other remedy, but each and every such remedy shall be cumulative and shall be in addition to any other remedy given to the Trustee or to the Bondholders hereunder or now or hereafter existing at law or in equity or by statute.

No delay or omission to exercise any right or power accruing upon any default or Event of Default shall impair any such right or power or shall be construed to be a waiver of any such default or Event of Default or acquiescence therein; and every such right and power may be exercised from time to time as often as may be deemed expedient.

No waiver of any default or Event of Default hereunder, whether by the Trustee or by the Bondholders, shall extend to or shall affect any subsequent default or event of default or shall impair any rights or remedies consequent thereon.

Section 8.05. Appointment of Receivers. Upon the occurrence and continuance of an Event of Default, and upon the filing of a suit or other commencement of judicial proceedings to enforce the rights of the Trustee and of the Bondholders under this Indenture, the Trustee shall be entitled as a matter of right to the appointment of a receiver or receivers of the trust estate with such powers as the court making such appointment shall confer.

Section 8.06. Waiver of Past Defaults. The holders of a majority in principal amount of the Bonds then outstanding by notice to the Trustee may waive an existing Event of Default and its consequences. When an Event of Default is waived, it is cured and stops continuing, but no such waiver shall extend to any subsequent or other Event of Default or impair any right consequent to it.

Section 8.07. Control by Majority. The holders of a majority in principal amount of the Bonds then outstanding may direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or of exercising any trust or power conferred on it. However, the Trustee may refuse to follow any direction that conflicts with law or this Indenture or, subject to Section 9.01, that the Trustee determines is unduly prejudicial to the rights of other Bondholders, or would involve the Trustee in personal liability.

Section 8.08. Limitation on Suits. A Bondholder may not pursue any remedy with respect to this Indenture or the Bonds unless (a) the holder gives the Trustee notice stating that an Event of Default is continuing, (b) the holders of at least 25% in principal amount of the Bonds then outstanding make a written request to the Trustee to pursue the remedy, (c) such holder or holders offer to the Trustee indemnity satisfactory to the Trustee against any loss, liability or

expense and (d) the Trustee does not comply with the request within 60 days after receipt of the request and the offer of indemnity; it being understood and intended that no one or more holders of the Bonds shall have any right in any manner whatsoever to affect, disturb or prejudice the lien of this Indenture by its, his or their action or to enforce any right hereunder except in the manner herein provided, and that all proceedings at law or in equity shall be instituted, had and maintained in the manner herein provided and for the equal and ratable benefit of the holders of all Bonds then outstanding. Nothing in the Indenture contained shall, however, affect or impair the right of any Bondholder to enforce the payment of the principal of and premium, if any, and interest on any Bond at and after the maturity thereof, or the obligation of the Issuer to pay the principal of and premium, if any, and interest on each of the Bonds issued hereunder to the respective holders thereof at the time and place, from the source and in the manner in the Bonds expressed.

A Bondholder may not use this Indenture to prejudice the rights of another Bondholder or to obtain a preference or priority over the other Bondholders.

Section 8.09. Rights of Holders to Receive Payment. Notwithstanding any other provision of this Indenture, the right of any holder to receive payment of principal of and interest on a Bond, on or after the due dates expressed in the Bond, or the purchase price of a Bond on or after the date for its purchase as provided in the Bond, or to bring suit for the enforcement of any such payment on or after such dates, shall not be impaired or affected without the consent of the holder.

Section 8.10. Collection Suit by Trustee. If an Event of Default under Section 8.01(a), (b) or (c) occurs and is continuing, the Trustee may recover judgment in its own name and as trustee of an express trust against the Company for the whole amount remaining unpaid.

Section 8.11. Trustee May File Proofs of Claim. The Trustee may file such proofs of claim and other papers or documents as may be necessary or advisable in order to have the claims of the Trustee and the Bondholders allowed in any judicial proceedings relative to the Company, its creditors or its property and, unless prohibited by law or applicable regulations, may vote on behalf of the Holders in any election of a trustee in bankruptcy or other person performing similar functions. In the event of a bankruptcy or reorganization of the Company, the Trustee may file a proof of claim on behalf of all Bondholders with respect to the obligations of the Company pursuant to the Agreement and the Note.

Section 8.12. Priorities. If the Trustee collects any money pursuant to this Article, it shall pay out the money in the following order:

FIRST: To the Trustee for amounts to which it is entitled under Section 9.02.

SECOND: To Bondholders for amounts due and unpaid on the Bonds for principal and interest, ratably, without preference or priority of any kind, according to the amounts due and payable on the Bonds for principal and interest, respectively.

THIRD: To the Issuer for any amounts due and unpaid to it by the Company under the Agreement.

FOURTH: To the Company.

The Trustee may fix a payment date for any payment to the Bondholders.

Section 8.13. Undertaking for Costs. In any suit for the enforcement of any right or remedy under this Indenture or in any suit against the Trustee for any action taken or omitted by it as Trustee, a court in its discretion may require the filing by any party litigant (other than the Issuer) in the suit of an undertaking to pay the costs of the suit, and the court in its discretion may assess reasonable costs, including reasonable attorneys' fees, against any party litigant in the suit, having due regard to the merits and good faith of the claims or defenses made by the party litigant. This Section does not apply to a suit by the Trustee, a suit by a holder pursuant to Section 8.07 or a suit by holders of more than 10% in principal amount of the Bonds then outstanding.

ARTICLE IX

TRUSTEE AND REMARKETING AGENT

Section 9.01. Acceptance of the Trusts. The Trustee hereby accepts the trusts imposed upon it by this Indenture, and agrees to perform said trusts, but only upon and subject to the following express terms and conditions:

(a) The Trustee, prior to the occurrence of any Event of Default and after the curing or waiver of all Events of Default which may have occurred, undertakes to perform such duties and only such duties as are specifically set forth in this Indenture. In case an Event of Default has occurred (which has not been cured or waived) the Trustee shall exercise such of the rights and powers vested in it by this Indenture, and use the same degree of care and skill in their exercise, as a prudent corporate trustee would exercise or use under the circumstances in the enforcement of a corporate indenture

(b) The Trustee may execute any of the trusts or powers hereof and perform any of its duties by or through attorneys, agents, receivers or employees selected by it with reasonable care and the Trustee shall not be responsible for the conduct of such attorneys, agents, receivers or employees, if selected with reasonable care, and shall be entitled to advice of counsel concerning all matters relating to the trusts hereof and the duties hereunder, and may in all cases pay such reasonable compensation to all such attorneys, agents, receivers and employees as may reasonably be employed in connection with the trusts hereof. The Trustee may act upon the opinion or advice of any attorney (who may be the attorney or attorneys for the Issuer or the Company), approved by the Trustee in the exercise of reasonable care. The Trustee shall not be responsible for any loss or damage resulting from any action or inaction in good faith in reliance upon such opinion or advice.

(c) The Trustee shall not be responsible for any recital herein, or in the Bonds (except in respect to the certificate of the Trustee endorsed on the Bonds), or for the recording or re-recording, filing or re-filing of this Indenture, or any other instrument required by this Indenture to secure the Bonds, or for insuring the Project or collecting any insurance moneys, or for validity of the execution by the Issuer of this Indenture or of any supplements hereto or instruments of further assurance, or for the sufficiency of the security for the Bonds issued hereunder or intended to be secured hereby.

(d) The Trustee shall not be accountable for the use of any Bonds authenticated or delivered hereunder. The Trustee may become the owner of Bonds secured hereby with the same rights which it would have if not the Trustee. To the extent permitted by law, the Trustee may also receive tenders and purchase in good faith Bonds from itself, including any department, affiliate or subsidiary, with like effect as if it were not the Trustee.

(e) The Trustee shall be protected in acting upon any notice, request, consent, certificate, order, affidavit, letter, telegram or other paper or document believed by it to be genuine and correct and to have been signed or sent by the proper person or persons. Any action taken by the Trustee pursuant to this Indenture upon the request or authority or consent of any person who at the time of making such request or giving such authority or consent is the owner of any Bond, shall be conclusive and binding upon all future owners of the same Bond and upon owners of Bonds issued in exchange therefor or in place thereof.

(f) As to the existence or non-existence of any fact or as to the sufficiency or validity of any instrument, paper or proceeding, the Trustee shall be entitled to rely upon a certificate signed by the Issuer or the Company as sufficient evidence of the facts therein contained; and prior to the occurrence of a default of which the Trustee has been notified as provided in subsection (h) of this Section 9.01, or of which by said subsection it is deemed to have notice, the Trustee shall also be at liberty to accept a similar certificate to the effect that any particular dealing, transaction or action is necessary or expedient, but may at its discretion secure such further evidence deemed necessary or advisable, but shall in no case be bound to secure the same. The Trustee may accept a certificate of the Clerk or Deputy Clerk of the Issuer under the Issuer's seal to the effect that a resolution in the form therein set forth has been adopted by the Issuer as conclusive evidence that such resolution has been duly adopted, and is in full force and effect.

(g) The permissive right of the Trustee to do things enumerated in this Indenture shall not be construed as a duty, and it shall not be answerable for other than its negligence or willful default.

(h) The Trustee shall not be required to take notice or be deemed to have notice of any Event of Default hereunder except failure by the Issuer to cause to be made any of the payments to the Trustee required to be made by Article IV hereof, unless the Trustee shall be specifically notified in writing of such Event of Default by the Issuer or

by the holders of at least 25% in aggregate principal amount of Bonds then outstanding; and all notices or other instruments required by this Indenture to be delivered to the Trustee must, in order to be effective, be delivered at the principal corporate trust office of the Trustee, and in the absence of such notice so delivered the Trustee may conclusively assume there is no default except as aforesaid.

(i) At any and all reasonable times the Trustee and its duly authorized agents, attorneys, experts, engineers, accountants and representatives shall have the right fully to inspect any and all parts of the Project, including all books, papers and records of the Issuer pertaining to the Project and the Bonds and to take such memoranda from and in regard thereto as may be desired.

(j) The Trustee shall not be required to give any bond or surety in respect of the execution of the said trusts and powers or otherwise in respect of the premises.

(k) Notwithstanding anything elsewhere in this Indenture contained, the Trustee shall have the right, but shall not be required, to demand, in respect of the authentication of any Bonds, the withdrawal of any cash, the release of any property, or any action whatsoever within the purview of this Indenture, any showings, certificates, opinions, appraisals or other information, or corporate action or evidence thereof, in addition to that by the terms hereof required as a condition of such action by the Trustee, which the Trustee in its discretion may deem desirable for the purpose of establishing the right of the Issuer to the authentication of any Bonds, the withdrawal of any cash, or the taking of any other action by the Trustee.

(l) Before taking any action referred to in Section 8.02, 8.03, 8.04, 8.05, 8.07, 8.08, 8.09, 8.10, 8.11 or 9.04 hereunder, the Trustee may require that satisfactory indemnity be furnished for the reimbursement of all expenses to which it may be put and to protect it against all liability, except liability which is adjudicated to have resulted from its negligence or willful default by reason of any action so taken.

(m) All moneys received by the Trustee or any paying agent shall, until used or applied or invested as herein provided, be held in trust for the purposes for which they were received but need not be segregated from other funds except to the extent required herein or by law. Neither the Trustee nor any paying agent shall be under any liability for interest on any moneys received hereunder except such as may be mutually agreed upon.

(n) No provision of the Indenture shall require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder, or in the exercise of any of its rights or powers.

Section 9.02. Fees, Charges and Expenses of Trustee. The Trustee shall be entitled to payment and reimbursement for reasonable fees for its services rendered hereunder and all advances, counsel fees (including counsel fees incurred in any bankruptcy proceeding) and other expenses reasonably and necessarily made or incurred by the Trustee in connection with such services. Upon an Event of Default, but only upon an Event of Default, the Trustee shall have a

first lien, with right of payment prior to payment on account of principal of and premium, if any, and interest on any Bond, upon the trust estate for the foregoing fees, charges and expenses incurred by it.

Section 9.03. Notice to Bondholders if an Event of Default Occurs If an Event of Default occurs of which the Trustee is by Section 9.01(h) hereof required to take notice or if notice of an Event of Default be given as in Section 9.01(h) provided, then the Trustee shall promptly give written notice thereof by registered or certified mail to each owner of Bonds then outstanding.

Section 9.04. Intervention by Trustee. In any judicial proceeding to which the Issuer is a party and which in the opinion of the Trustee and its counsel has a substantial bearing on the interests of the owners of the Bonds, the Trustee may intervene on behalf of the Bondholders and shall do so if requested in writing by the owners of at least 25% of the aggregate principal amount of Bonds then outstanding. The rights and obligations of the Trustee under this Section 9.04 are subject to the approval of a court of competent jurisdiction.

Section 9.05. Successor Trustee. Any corporation or association into which the Trustee may be converted or merged, or with which it may be consolidated, or to which it may sell or transfer its corporate trust business and assets as a whole or substantially as a whole or any corporation or association resulting from any such conversion, sale, merger, consolidation or transfer to which it is a party, ipso facto, shall be and become successor Trustee hereunder and vested with all of the title to the trust estate and all the trusts, powers, discretions, immunities, privileges and all other matters as was its predecessor, without the execution or filing of any instrument or any further act, deed or conveyance on the part of any of the parties hereto, anything herein to the contrary notwithstanding.

Section 9.06. Resignation by Trustee. The Trustee and any successor Trustee may at any time resign from the trusts hereby created by giving thirty days' written notice to the Issuer and the Company, served personally or sent by registered or certified mail, and to each owner of Bonds then outstanding, sent by registered or certified mail, and such resignation shall take effect at the end of such thirty days, or upon the earlier appointment of a successor Trustee pursuant to Section 9.08 hereof.

Section 9.07. Removal of Trustee. The Trustee may be removed at any time, by an instrument or concurrent instruments in writing delivered to the Trustee and to the Issuer and the Company, and signed by the owners of a majority in aggregate principal amount of Bonds then outstanding.

Section 9.08. Appointment of Successor Trustee. In case the Trustee hereunder shall resign or be removed, or be dissolved, or shall be in course of dissolution or liquidation, or otherwise become incapable of acting hereunder, or in case it shall be taken under the control of any public officer or officers, or of a receiver appointed by a court, a successor shall be appointed by the Issuer at the direction of the Company. The Issuer shall cause notice of such appointment to be given in the same manner as the giving of notices of redemption as set forth in Section 3.04 hereof. If the Issuer fails to make such appointment promptly, a successor may be appointed by

the owners of a majority in aggregate principal amount of Bonds then outstanding. Every such successor Trustee appointed pursuant to the provisions of this Section 9.08 shall be a trust company or bank in good standing having a reported capital, surplus and undivided profits of not less than $25,000,000, if there be such an institution willing, qualified and able to accept the trusts upon reasonable and customary terms.

Section 9.09. Concerning Any Successor Trustee. Every successor Trustee appointed hereunder shall execute, acknowledge and deliver to its predecessor and also to the Issuer an instrument in writing accepting such appointment hereunder, and thereupon such successor, without any further act, deed or conveyance, shall become fully vested with all of the estates, properties, rights, powers, trusts, duties and obligations of its predecessor; but such predecessor shall, nevertheless, on the written request of the Issuer, or of its successor, execute and deliver an instrument transferring to such successor Trustee all the estates, properties, rights, powers and trusts of such predecessor hereunder, and every predecessor Trustee shall deliver all securities and moneys held by it as Trustee hereunder to its successor. Should any instrument in writing from the Issuer be required by any successor Trustee for more fully and certainly vesting in such successor the estate, rights, powers and duties hereby vested or intended to be vested in the predecessor, any and all such instruments in writing shall, on request, be executed, acknowledged and delivered by the Issuer. The resignation of any Trustee and the instrument or instruments removing any Trustee and appointing a successor hereunder, together with all other instruments provided for in this Article IX, shall be filed and/or recorded by the successor Trustee in each recording office where the Indenture shall have been filed and/or recorded and the successor Trustee shall bear the cost thereof.

Section 9.10. Successor Trustee as Bond Registrar and Paying Agent. In the event of a change of Trustee, the Trustee which has resigned or been removed shall cease to be bond registrar and a paying agent for principal of and premium, if any, and interest on the Bonds, and the successor Trustee shall become such bond registrar and a paying agent.

Section 9.11. Trustee and Issuer Required to Accept Directions and Actions of Company. Whenever, after a reasonable request by the Company, the Issuer shall fail, refuse or neglect to give any direction to the Trustee or to require the Trustee to take any action which the Issuer is required to have the Trustee take pursuant to the provisions of the Agreement or this Indenture, the Company may give any such direction to the Trustee or require the Trustee to take any such action, and the Trustee is hereby irrevocably empowered and directed to accept such direction from the Company as sufficient for all purposes of this Indenture. The Company shall have the right to cause the Trustee to comply with any of the Trustee's obligations under this Indenture to the same extent that the Issuer is empowered so to do.

Certain actions or failures to act by the Issuer under this Indenture may create or result in an Event of Default under this Indenture and the Company may to the extent permitted by law, perform any and all acts or take such action as may be necessary for and on behalf of the Issuer to prevent or correct said Event of Default and the Trustee shall take or accept such performance by the Company as performance by the Issuer in such event.

The Issuer hereby makes, constitutes and appoints the Company irrevocably as its agent to give all directions, do all things and perform all acts provided, and to the extent so provided, by this Section 9.11.

Section 9.12. No Transfer of Note or the Deed of Trust Held by the Trustee; Exception. Except as required to effect an assignment to a successor Trustee, the Trustee shall not sell, assign or transfer the Note or the Deed of Trust and the Trustee is authorized to enter into an agreement with the Company to such effect.

Section 9.13. Filing of Certain Continuation Statements. From time to time, the Trustee shall duly file, or cause to be filed, at the expense of the Company, continuation statements for the purpose of continuing without lapse the effectiveness of the filing of the financing statements with respect to the security interest created by this Indenture in the Agreement and the Note, at or prior to the issuance of the Bonds and any previously filed continuation statements which shall have been filed as herein required. The Issuer shall sign and deliver to the Trustee or its designee such continuation statements as may be requested of it from time to time by the Trustee. Upon the filing of any such continuation statements the Trustee shall immediately notify the Issuer and the Company that the same has been accomplished.

Section 9.14 Duties of Remarketing Agent. The Remarketing Agent will set the interest rates on the Bonds and perform the other duties provided for in Section 2.02 and will remarket the Bonds as provided in Section 3.08, subject to any provisions of a remarketing agreement between the Company and the Remarketing Agent. The Remarketing Agent may for its own account or as broker or agent for others deal in Bonds and may do anything any other Bondholder may do to the same extent as if the Remarketing Agent were not serving as such.

Section 9.15 Eligibility of Remarketing Agent. The initial Remarketing Agent appointed under this Indenture is SunTrust Bank, Atlanta. The Remarketing Agent will be a bank, trust company or member of the National Association of Securities Dealers, Inc. organized and doing business under the laws of the United States or any state or the District of Columbia, will have a combined capital stock, surplus and undivided profits of at least $15,000,000 as shown in its most recent published annual report, will be a Participant in the Securities Depository and will be authorized by law to perform all the duties imposed upon it by this Indenture. Any successor Remarketing Agent shall be rated at least Baa3/P-3 or otherwise qualified by Moody's Investors Service, Inc. or have an equivalent rating of another rating agency.

Section 9.16 Replacement of Remarketing Agent. The Remarketing Agent may resign by notifying the Issuer, Trustee and Company. Such resignation will take effect on the day a successor Remarketing Agent appointed in accordance with this Section has accepted the appointment or, if no successor has so accepted, 30 days after notice of resignation has been sent. The Company may remove the Remarketing Agent at any time by an instrument signed by the Company and filed with the Remarketing Agent, the Issuer and the Trustee at least 30 days prior to the effective date of such removal (which will not in any event occur prior to the appointment of a successor Remarketing Agent). A new Remarketing Agent may be appointed by the

Company upon the resignation or removal of the Remarketing Agent. The Trustee shall promptly notify the Bondholders of any change in the Remarketing Agent.

Section 9.17. Compensation of Remarketing Agent. The Remarketing Agent will not be entitled to any compensation from the Issuer, the Trustee or any property held under this Indenture but must make separate arrangements with the Company for compensation.

Section 9.18. Successor Remarketing Agent. If the Remarketing Agent consolidates with, merges or converts into, or transfers all or substantially all its assets (or, in the case of a bank or trust company, its corporate trust assets) to another corporation, the resulting, surviving or transferee corporation without any further act shall be the successor Remarketing Agent, provided that such successor shall be eligible under the applicable provisions in this Article.

ARTICLE X

AMENDMENTS OF AND SUPPLEMENTS TO INDENTURE

Section 10.01. Without Consent of Bondholders. The Issuer and the Trustee may amend or supplement this Indenture or the Bonds without notice to or consent of any Bondholder:

(a) to cure any ambiguity, inconsistency or formal defect or omission,

(b) to grant to the Trustee for the benefit of the Bondholders additional rights, remedies, powers or authority,

(c) to subject to this Indenture additional collateral or to add other agreements of the Issuer,

(d) to modify this Indenture or the Bonds to permit qualification under the Trust Indenture Act of 1939, as amended, or any similar federal statute at the time in effect, or to permit the qualification of the Bonds for sale under the securities laws of any state of the United States,

(e) to authorize different authorized denominations of the Bonds and to make correlative amendments and modifications to this Indenture regarding exchangeability of Bonds of different authorized denominations, redemptions of portions of Bonds of particular authorized denominations and similar amendments and modifications of a technical nature,

(f) to increase or decrease the number of days specified for the giving of notices in Section 2.02 and to make corresponding changes to the period for notice of redemption of the Bonds; provided that no decreases in any such number of days shall become effective except while the Bonds bear interest at a Daily Rate or a Weekly Rate and until 30 days after the Trustee has given notice to the owners of the Bonds,

(g) to provide for an uncertificated system of registering the Bonds or to provide for the change to or from a Book-Entry System for the Bonds,

(h) to evidence the succession of a new Trustee or the appointment by the Trustee or the Issuer of a co-trustee, or

(i) to make any change (including a change in Section 4.01 to reflect any amendment to the Code or interpretations by the Internal Revenue Service of the Code) that does not materially adversely affect the rights of any Bondholder.

Section 10.02. With Consent of Bondholders. If an amendment of or supplement to this Indenture or the Bonds without any consent of Bondholders is not permitted by the preceding Section, the Issuer and the Trustee may enter into such amendment or supplement without prior notice to any Bondholders but with the consent of the holders of at least a majority in aggregate principal amount of the Bonds then outstanding. However, without the consent of each Bondholder affected, no amendment or supplement may (a) extend the maturity of the principal of, or interest on, any Bond, (b) reduce the principal amount of, or rate of interest on, any Bond, (c) effect a privilege or priority of any Bond or Bonds over any other Bond or Bonds, (d) reduce the percentage of the principal amount of the Bonds required for consent to such amendment or supplement, (e) impair the exclusion from federal gross income of interest on any Bond, (f) eliminate the holders' rights to tender the Bonds, or any mandatory redemption of the Bonds, extend the due date for the purchase of Bonds tendered by the holders thereof or call for mandatory redemption or reduce the purchase or redemption price of such Bonds, (g) create a lien ranking prior to or on a parity with the lien of this Indenture on the property described in the Granting Clause of this Indenture or (h) deprive any Bondholder of the lien created by this Indenture on such property. In addition, if moneys or Government Obligations have been deposited or set aside with the Trustee pursuant to Article VII for the payment of Bonds and those Bonds shall not have in fact been actually paid in full, no amendment to the provisions of that Article shall be made without the consent of the holder of each of those Bonds affected.

Section 10.03. Effect of Consents. Any consent received pursuant to Section 10.02 will bind each Bondholder delivering such consent and each subsequent holder of a Bond or portion of a Bond evidencing the same debt as the consenting holder's Bond.

Section 10.04. Notation on or Exchange of Bonds. If an amendment or supplement changes the terms of a Bond, the Trustee may require the holder to deliver it to the Trustee. The Trustee may place an appropriate notation on the Bond about the changed terms and return it to the holder. Alternatively, if the Trustee, the Issuer and the Company determine, the Issuer in exchange for the Bond will issue and the Trustee will authenticate a new Bond that reflects the changed terms.

Section 10.05. Signing by Trustee of Amendments and Supplements. The Trustee will sign any amendment or supplement to the Indenture or the Bonds authorized by this Article if the amendment or supplement does not adversely affect the rights, duties, liabilities or immunities of the Trustee. If it does, the Trustee may, but need not, sign it. In signing an

amendment or supplement, the Trustee will be entitled to receive and (subject to Section 9.01) will be fully protected in relying on an Opinion of Counsel stating that such amendment or supplement is authorized by this Indenture.

Section 10.06. Company Consent Required. An amendment or supplement to this Indenture or the Bonds shall not become effective unless the Company delivers to the Trustee its written consent to the amendment or supplement.

Section 10.07. Notice to Bondholders. The Trustee shall cause notice of the execution of each supplement or amendment to this Indenture or the Agreement to be mailed to the Bondholders. The notice will at the option of the Trustee, either (i) briefly state the nature of the amendment or supplement and that copies of it are on file with the Trustee for inspection by Bondholders or (ii) enclose a copy of such amendment or supplement.

ARTICLE XI

AMENDMENTS OF AND SUPPLEMENTS TO THE AGREEMENT

Section 11.01. Without Consent of Bondholders. The Issuer may enter into, and the Trustee may consent to, any amendment of or supplement to the Agreement or the Note, or may waive compliance by the Company of any provision of the Agreement or the Note, in each case without notice to or consent of any Bondholder, if the amendment, supplement or waiver is required or permitted (a) by the provisions of the Agreement or this Indenture, (b) to cure any ambiguity, inconsistency or formal defect or omission, (c) to identify more precisely the Project, (d) in connection with any authorized amendment of or supplement to this Indenture or (e) to make any change that in the judgment of the Trustee does not materially adversely affect the rights of any Bondholder.

Section 11.02. With Consent of Bondholders. If an amendment of or supplement to the Agreement or the Note without any consent of Bondholders is not permitted by the foregoing Section, the Issuer may enter into, and/or the Trustee may consent to (as the case may be), such amendment or supplement, or may waive compliance by the Company of any provision of the Agreement, without notice to any Bondholder but with the consent of the holders of at least a majority in aggregate principal amount of the Bonds then outstanding. However, without the consent of each Bondholder affected thereby, no amendment, supplement or waiver may result in anything described in the lettered clauses of Section 10.02.

Section 11.03. Consents by Trustee to Amendments or Supplements. The Trustee will consent to any amendment or supplement to the Agreement or the Note authorized by this Article if the amendment or supplement does not adversely affect the rights, duties, liabilities or immunities of the Trustee. If it does, the Trustee may, but need not, sign it. In signing a consent to an amendment or supplement, the Trustee shall be entitled to receive and (subject to Section 9.01) shall be fully protected in relying on an Opinion of Counsel stating that such amendment or supplement is authorized or permitted by this Indenture.

ARTICLE XII

MISCELLANEOUS

Section 12.01. Notices. (a) Any notice, request, direction, designation, consent, acknowledgment, certification, appointment, waiver or other communication required or permitted by this Indenture or the Bonds must be in writing except as expressly provided otherwise in this Indenture or the Bonds.

(b) Any notice or other communication shall be sufficiently given and deemed given when delivered by hand or mailed by first-class mail, postage prepaid, addressed as follows: if to the Issuer, to the Chairman of the Board of Commissioners, 223 Palafox Place, Pensacola, Florida 32597; if to the Trustee, to First Union National Bank, at 225 Water Street, 3rd Floor, Jacksonville, Florida 32202, Attention: Corporate Trust Department; if to the Company, at 500 Bayfront Parkway, Pensacola, Florida 32501, Attention: Treasurer, with copies to Southern Company Services, Inc., 270 Peachtree Street, N.W., Atlanta, Georgia 30303, Attention: Corporate Finance Department; and if to the Remarketing Agent, to SunTrust Bank, Atlanta, 303 Peachtree Street, 23rd Floor, Atlanta, Georgia 30308, Attention: Municipal Desk. Any addressee may designate additional or different addresses for purposes of this Section.

Section 12.02. Bondholders' Consents. Any consent or other instrument required by this Indenture to be signed by Bondholders may be in any number of concurrent documents and may be signed by a Bondholder or by the holder's agent appointed in writing. Proof of the execution of such instrument or of the instrument appointing an agent and of the ownership of Bonds, if made in the following manner, shall be conclusive for any purposes of this Indenture with regard to any action taken by the Trustee under the instrument:

(a) The fact and date of a person's signing an instrument may be proved by the certificate of any officer in any jurisdiction who by law has power to take acknowledgments within that jurisdiction that the person signing the writing acknowledged before the officer the execution of the writing, or by an affidavit of any witness to the signing.

(b) The fact of ownership of Bonds, the amount or amounts, numbers and other identification of such Bonds and the date of holding shall be proved by the registration books kept pursuant to this Indenture.

In determining whether the holders of the required principal amount of Bonds outstanding have taken any action under this Indenture, Bonds owned by the Company or any person controlling, controlled by or under common control with the Company shall be disregarded and deemed not to be outstanding. In determining whether the Trustee shall be protected in relying on any such action, only Bonds which the Trustee knows to be so owned shall be disregarded.

Any consent or other instrument shall be irrevocable and shall bind any subsequent owner of such Bond or any Bond delivered in substitution therefor.

Section 12.03. Appointment of Separate Paying Agent and/or Tender Agent. If, at any time, the Securities Depository ceases to hold the Bonds, with the effect that the Bonds are no longer subject to the Book-Entry System, then the Issuer and the Trustee, acting at the request of the Company, may appoint one or more banks or trust companies to act as paying agent and/or tender agent for the Bonds hereunder. Any such paying agent or tender agent shall be a bank or trust company organized under the laws of the United States of America or any state thereof, shall have a reported capital and surplus of at least $100,000,000 and a corporate trust office located in New York, New York at which Bonds may be presented for payment or purchase and shall perform such duties and responsibilities as may be delegated to it hereunder. If such a paying agent or tender agent is appointed, then all references herein to the "Trustee" shall include such paying agent or tender agent to the extent of the duties performed by such entity.

Section 12.04. Limitation of Rights. Nothing expressed or implied in this Indenture or the Bonds shall give any person other than the Trustee, Issuer, Company, Remarketing Agent and the Bondholders any right, remedy or claim under or with respect to this Indenture.

Section 12.05. Severability. If any provision of this Indenture shall be held or deemed to be or shall, in fact, be illegal, inoperative or unenforceable, the same shall not affect any other provision or provisions herein contained or render the same invalid, inoperative or unenforceable to any extent whatsoever.

Section 12.06. Payments Due on Non-Business Days. If a payment date is not a Business Day at the place of payment, then payment may be made at that place on the next Business Day, and no interest shall accrue for the intervening period.

Section 12.07. Governing Law. This Indenture shall be governed exclusively by and construed in accordance with the applicable laws of the State.

Section 12.08. Captions. The captions in this Indenture are for convenience only and do not define or limit the scope or intent of any provisions or Sections of this Indenture.

Section 12.09. No Liability of Officers. No covenant or agreement contained in the Bonds or this Indenture shall be deemed to be a covenant or agreement of any commissioner, agent or employee of the Issuer in his individual capacity, and neither the officers of the Issuer nor any official executing the Bonds or this Indenture shall be liable personally on the Bonds or be subject to any personal liability or accountability by reason of the issuance of the Bonds or the execution, delivery and performance of this Indenture.

Section 12.10. Limitation upon Responsibility of the Issuer. (a) Notwithstanding anything to the contrary contained herein or in any of the Bonds, the Agreement or in any other instrument or document executed by or on behalf of the Issuer in connection herewith, (i) the Issuer shall have no obligation to take action under this Indenture, the Bonds, the Agreement or such other instruments or documents, unless Issuer is reasonably requested in writing by an

appropriate person to take such action and is provided with indemnity and assurances reasonably satisfactory to it of payment of or reimbursement for any expenses (including attorneys' fees) in such action, and (ii) any judgment rendered against the Issuer for breach of its obligations hereunder or under the Bonds, the Agreement or such instruments or documents, shall be payable solely from the revenues derived by the Issuer hereunder or under the Agreement or the Note, and no personal liability or charge payable directly or indirectly from the general funds of the Issuer shall arise therefrom.

(b) The Issuer shall not be required to incur any expense with respect to the Project or the Bonds unless requested to do so by the Company, in which event the Company hereby agrees to reimburse the full amount of such expense to the Issuer, and the Issuer may require payment to it of such amount as a prerequisite to its incurring any such expense.

(c) In acting under this Indenture, the Bonds, the Agreement, the Note or such other instruments or documents, or in refraining from taking such action, the Issuer may conclusively rely on the advice of its counsel.

Section 12.11 Counterparts. This Indenture may be signed in several counterparts. Each will be an original, but all of them together constitute the same instrument

IN WITNESS WHEREOF, Escambia County, Florida has caused these presents to be signed in its name and behalf by the Chairman or Vice Chairman of its Board of County Commissioners, and its official seal to be hereunto affixed and attested by its Clerk or Deputy Clerk, and to evidence its acceptance of the trusts hereby created First Union National Bank, as Trustee, has caused these presents to be signed in its name and behalf and its official seal to be hereunto affixed and attested by its duly authorized officers, all as of the day and year first above written.

[SEAL]

ESCAMBIA COUNTY, FLORIDA

By: _____

Chairman of the Escambia County
Board of County Commissioners

THOMAS G. BANJANIN, CHAIRMAN

Attest: ATTEST: ERNIE LEE MAGAHA
CLERK OF THE CIRCUIT COURT
DEPUTY CLERK

Clerk of the Escambia County
Board of County Commissioners

FIRST UNION NATIONAL BANK, as Trustee

[SEAL]

By: _____

Title: Vice President

EXHIBIT C.2.

JACKSON COUNTY, FLORIDA

to

FIRST UNION NATIONAL BANK,

as Trustee

TRUST INDENTURE

Dated as of July 1, 1997

Relating to

$3,930,000
Pollution Control Revenue Refunding Bonds
(Gulf Power Company Project)
Series 1997

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TRUST INDENTURE

THIS INDENTURE made and entered into as of July 1, 1997, by and between JACKSON COUNTY, FLORIDA, a "local agency" as defined in the Florida Industrial Development Financing Act, being Part II of Chapter 159, Florida Statutes, Sections 159.25 through 159.431, as amended (the "Act"), and a political subdivision of the State of Florida (the "Issuer"), and FIRST UNION NATIONAL BANK, a national banking association duly organized, existing and authorized to accept and execute trusts of the character herein set out under and by virtue of the laws of the United States of America, as trustee (the "Trustee").

RECITALS

A. In furtherance of its statutory purposes, the Issuer has entered into a Loan Agreement dated as of July 1, 1997 (the "Agreement") with Gulf Power Company (the "Company") providing for the undertaking by the Issuer to loan amounts to the Company in order to refund certain of the Issuer's bonds heretofore issued to refinance the acquisition, construction, installation and equipping of the Company's interest in certain air and water pollution control and sewage and solid waste disposal facilities, or portions thereof, at Plant Scholz in Jackson County, Florida.

B. The Agreement provides that, for the purposes therein set forth, the Issuer will issue and sell its Pollution Control Revenue Refunding Bonds (Gulf Power Company Project), Series 1997, in the aggregate principal amount of $3,930,000 (the "Bonds"); that the Issuer will loan the proceeds of the Bonds to the Company; and that to evidence the Loan (as hereinafter defined) the Company will execute and deliver, concurrently with the issuance of the Bonds, a non-negotiable promissory note in a like principal amount bearing interest at the rate or rates borne by the Bonds.

C. The execution and delivery of this Indenture (as hereinafter defined) and the Agreement and the issuance and sale of the Bonds have been in all respects duly and validly authorized by resolution duly adopted by the Issuer

D. The Company has agreed to make payments on the aforementioned promissory note to the Issuer in amounts sufficient to pay the principal, purchase price, premium, if any, and interest on the Bonds, all as hereinafter defined.

E. The Trustee has accepted the trusts created by this Indenture and in evidence thereof has joined in the execution hereof.

Accordingly, the Issuer and the Trustee agree as follows for the benefit of each other and for the benefit of the holders of the Bonds issued pursuant to this Indenture.

GRANTING CLAUSE

NOW, THEREFORE, THIS INDENTURE WITNESSETH, that in consideration of the premises, of the acceptance by the Trustee of the trusts hereby created, and the purchase and acceptance of the Bonds by the holders thereof, and also for and in consideration of the sum of One Dollar ($1.00) to the Issuer in hand paid by the Trustee at or before the execution and delivery of this Indenture, the receipt of which is hereby acknowledged, and for the purpose of fixing and declaring the terms and conditions upon which the Bonds are to be issued, authenticated, delivered, secured and accepted by all persons who shall from time to time be or become holders thereof, and in order to secure the payment of all Bonds at any time issued and outstanding hereunder and the interest and the premiums, if any, payable upon redemption or purchase in lieu of redemption thereon according to their tenor, purport and effect, and in order to secure the performance and observance of all the covenants, agreements and conditions therein or herein contained; the Issuer has executed and delivered this Indenture, and will cause the Company to deliver to the Trustee the Deed of Trust (as hereinafter defined) and the Company's promissory note dated the date of the initial issuance of the Bonds; the Issuer does hereby bargain, sell, convey, assign and pledge to the Trustee, and grant to the Trustee a security interest in, all rights, title and interests of the Issuer in, to and under the Deed of Trust and such promissory note and all payments, if any, made and to be made thereunder as security for the payment of all outstanding Bonds and the interest and the premium, if any, thereon and does hereby bargain, sell, convey, assign and pledge to the Trustee, and grant to the Trustee a security interest in, all other rights, title and interests of the Issuer in, to and under the Agreement and all moneys receivable thereunder (except for Unassigned Rights, as defined herein) as security for the satisfaction of any other obligation assumed by it in connection with all outstanding Bonds at any time issued hereunder;

TO HAVE AND TO HOLD the same unto the Trustee and its successors in trust forever;

IN TRUST NEVERTHELESS, upon the terms and trusts herein set forth, for the equal and proportionate benefit and security of all and singular present and future holders of the Bonds issued under this Indenture, without preference, priority or distinction as to lien or otherwise, except as otherwise hereinafter provided, of any one Bond over any other Bond, by reason of priority in the issue, sale or negotiation thereof or otherwise;

PROVIDED, HOWEVER, that if the Issuer, its successors or assigns shall pay or cause to be paid the principal of, premium, if any, and interest on the Bonds due or to become due thereon, at the times and in the manner mentioned in the Bonds, and shall perform all the covenants and conditions required of it by this Indenture, and shall pay or cause to be paid to the Trustee and any additional paying agents all sums of money due or to become due to them in accordance with the terms and provisions hereof, then upon such final payments this Indenture and the rights hereby granted shall terminate and the Trustee shall release this Indenture and shall execute such documents to evidence such termination and release as may be reasonably required by the Issuer; otherwise this Indenture to be and remain in full force and effect.

THIS INDENTURE FURTHER WITNESSETH, and it is expressly declared, that all Bonds from time to time issued and secured hereunder are to be issued, authenticated and

delivered, and all said property, rights and interests, including, without limitation, the amounts hereby assigned and pledged, are to be dealt with and disposed of subject to the terms of this Indenture, and the Issuer agrees with the Trustee and with the respective owners, from time to time, of said Bonds, or part thereof, as follows:

ARTICLE I

DEFINITIONS AND RULES OF CONSTRUCTION

Section 1.01. Definitions. For all purposes of this Indenture, unless the context requires otherwise, the following terms shall have the following meanings:

"*Act*" means the Florida Industrial Development Financing Act, being Part II of Chapter 159, Florida Statutes, Sections 159.25 through 159.431, as amended

"*Agreement*" means the Loan Agreement dated as of July 1, 1997, between the Issuer and the Company, as amended and supplemented from time to time.

"*Beneficial Owner*" means the purchaser of a beneficial interest in the Bonds when the Bonds are held by the Securities Depository in the Book-Entry System, and otherwise means a Bondholder.

"*Bondholder*" or "*holder*" means the registered owner of any Bond.

"*Bonds*" means the Pollution Control Revenue Refunding Bonds (Gulf Power Company Project), Series 1997 issued by the Issuer hereunder in the aggregate principal amount of $3,930,000.

"*Book-Entry System*" means the system maintained by the Securities Depository described in Section 5.01.

"*Business L ;*" means any day other than (i) a Saturday or Sunday, (ii) a day on which commercial banks in New York, New York, Jacksonville, Florida, Atlanta, Georgia, or the city in which the designated corporate trust office of the Trustee is located, are authorized by law to close or (iii) a day on which the New York Stock Exchange is closed.

"*Code*" means the Internal Revenue Code of 1986, as amended, and the Treasury regulations thereunder.

"*Commercial Paper Mode*" means each period of time, comprised of Commercial Paper Periods, during which Commercial Paper Rates are in effect.

"*Commercial Paper Period*" means, with respect to any Bond, each period set under Section 2.02(a)(3).

"*Commercial Paper Rate*" means the interest rate on each Bond set under Section 2.02(a)(3).

"*Company*" means Gulf Power Company, a Maine corporation, and its successors and assigns, and any surviving, resulting or transferee entity as provided in Section 4.3 of the Agreement.

"*Daily Rate*" means an interest rate on the Bonds set under Section 2.02(a)(1).

"*Deed of Trust*" means the Subordinate Land Deed of Trust dated July 1, 1997 between the Company, as grantor, and the Issuer, as beneficiary, providing for the security conveyance of certain property of the Company described therein.

"*Event of Default*" is defined in Section 8.01.

"*Favorable Opinion of Tax Counsel*" means an Opinion of Tax Counsel addressed to the Issuer and to the Trustee to the effect that the action proposed to be taken is permitted by the laws of the State and by this Indenture and will not adversely affect any exclusion from gross income for federal income tax purposes of interest on the Bonds.

"*Government Obligations*" means (i) noncallable direct obligations of the United States for which its full faith and credit are pledged, (ii) noncallable obligations of a Person controlled or supervised by and acting as an agency or instrumentality of the United States, the timely payment of which is unconditionally guaranteed as a full faith and credit obligation of the United States, or (iii) securities or receipts evidencing ownership interests in obligations or specified portions (such as principal or interest) of obligations described in (i) or (ii).

"*Indenture*" means this Trust Indenture, as it may be amended or supplemented from time to time in accordance with its terms.

"*Interest Payment Date*" is defined in the form of the Bonds appearing in Exhibit A hereto.

"*Interest Period*" is defined in the form of the Bonds appearing in Exhibit A hereto.

"*J.J. Kenny Index*" means, as of any date, the index of 7-day yields on high grade tax exempt municipal bonds as determined by J.J. Kenny Co., Inc. or any successor thereto and published on such date (or, if not published on said date, on the most recent day prior thereto on which such index shall have been so published).

"*Long-Term Interest Rate*" means an interest rate on the Bonds set under Section 2.02(a)(4).

"*Long-Term Interest Rate Period*" is defined in Section 2.02(a)(4).

"*Maturity Date*" means the stated maturity for the Bonds as set forth in Section 2.01.

"*1954 Code*" means the Internal Revenue Code of 1954, as amended, and the Treasury regulations thereunder.

"*Note*" means the promissory note executed and delivered by the Company concurrently with the issuance of the Bonds in a like principal amount bearing interest at the rate or rates borne by the Bonds.

"*Opinion of Counsel*" means a written opinion of counsel who is acceptable to the Issuer and the Trustee. Such counsel may be an employee of or counsel to the Issuer, the Trustee or the Company.

"*Opinion of Tax Counsel*" means an Opinion of Counsel by counsel of nationally recognized standing in matters relating to the exclusion of interest from gross income on obligations issued by or on behalf of states and their political subdivisions.

The term "*outstanding*" when used with reference to Bonds, or "*Bonds outstanding*" means all Bonds which have been authenticated and delivered by the Trustee under this Indenture, except the following:

a. Bonds canceled or purchased by or delivered to the Trustee for cancellation.

b. Bonds that have become due (at maturity or on redemption, acceleration or otherwise) and for the payment, including interest accrued to the due date, of which sufficient moneys are held by the Trustee.

c. Bonds deemed paid by Section 7.01.

d. Bonds in lieu of which others have been authenticated under Section 2.05 (relating to registration and exchange of Bonds) or Section 2.06 (relating to mutilated, lost, stolen, destroyed or undelivered Bonds).

Bonds purchased pursuant to tenders or in lieu of redemption and not delivered to the Trustee for payment are not outstanding, but there will be outstanding Bonds authenticated and delivered in lieu of such undelivered Bonds as provided in the second paragraph of Section 2.06.

"*Participant*" means one of the entities which deposit securities, directly or indirectly, in the Book-Entry System.

"*Person*" means any individual, corporation, partnership, joint venture, association, joint stock company, trust, estate, unincorporated organization or government or any agency or political subdivision thereof.

The term "*principal*," when used with reference to any Bonds, includes any premium payable on those Bonds.

"*Prior Indenture*" means the Trust Indenture dated as of March 1, 1992, as supplemented and amended, between the Issuer and the Refunded Bonds Trustee under which the Refunded Bonds were issued.

"*Project*" has the meaning assigned to such term in the Agreement.

"*Record Date*" is defined in the form of the Bonds appearing as Exhibit A hereto.

"*Refunded Bonds*" means $3,930,000 principal amount of the Issuer's Pollution Control Revenue Refunding Bonds (Gulf Power Company Project), Series 1992, being refunded by the Bonds.

"*Refunded Bonds Trustee*" means First Union National Bank, as successor to First Union National Bank of Florida, in its capacity as trustee for the Refunded Bonds.

"*Remarketing Agent*" means SunTrust Bank, Atlanta and its successors under this Indenture.

"*Responsible Officer*" means any officer or trust officer of the Trustee assigned by the Trustee to administer its corporate trust matters.

"*Securities Depository*" means The Depository Trust Company, New York, New York or its nominee, and its successors and assigns, or any successor appointed under Section 5.01.

"*State*" means the State of Florida.

"*Trustee*" means the entity identified as such in the heading of this Indenture and its successors under this Indenture.

"*Unassigned Rights*" means the rights of the Issuer under Section 4.2 and Section 5.3 of the Agreement.

"*Weekly Rate*" means an interest rate on the Bonds set under Section 2.02(a)(2).

Section 1.02. Rules of Construction. Unless the context otherwise requires,

a. an accounting term not otherwise defined has the meaning assigned to it in accordance with generally accepted accounting principles,

b. references to Articles and Sections are to the Articles and Sections of this Indenture, and

c. the singular form of any word, including the terms defined in Section 1.01, includes the plural, and vice versa, and a word of any gender includes all genders.

ARTICLE II

THE BONDS

Section 2.01. Issuance of Bonds; Form; Dating. The Bonds shall be designated "Jackson County, Florida Pollution Control Revenue Refunding Bonds (Gulf Power Company Project), Series 1997." The total principal amount of Bonds that may be outstanding shall not exceed $3,930,000. The Bonds shall be substantially in the form of *Exhibit A*, which is part of this Indenture, in the denominations provided for in the Bonds. The Bonds may have notations, legends or endorsements required by law or usage.

All Bonds will be dated the date of original issuance and delivery and shall mature, subject to prior redemption, on July 1, 2022. Bonds will be numbered as determined by the Trustee.

Upon the execution and delivery of this Indenture, the Issuer will execute and deliver to the Trustee and the Trustee will authenticate the Bonds and deliver them to the purchaser or purchasers as directed by the Issuer.

Section 2.02. Interest on the Bonds. Interest on the Bonds will be payable as provided in the Bonds and in this Section. Interest on the Bonds will initially be payable at the Daily Rate. The interest rate determination method may be changed by the Company as described in paragraph (b) below. The methods of determining the various interest rates are as provided in the following paragraph (a).

(a) *Interest Rate Determination Methods*. While there exists an Event of Default under the Indenture, the interest rate on the Bonds will be the rate on the Bonds on the day before the Event of Default occurred, except that if interest on any Bond was then payable at a Commercial Paper Rate, the interest rate for all Bonds then bearing interest at a Commercial Paper Rate will be the highest Commercial Paper Rate then in effect for any Bond.

(1) *Daily Rate.* When interest on the Bonds is payable at a Daily Rate, the Remarketing Agent will set a Daily Rate on or before 11:00 a.m., New York City time, on each Business Day for that Business Day. Each Daily Rate will be the minimum rate necessary (as determined by the Remarketing Agent based on the examination of tax-exempt obligations comparable to the Bonds known by the Remarketing Agent to have been priced or traded under then-prevailing market conditions) for the Remarketing Agent to sell the Bonds on the day the rate is set at their principal amount (without regard to accrued interest). The Daily Rate for any non-Business Day will be the rate for the last day for which a rate was set.

(2) *Weekly Rate*. When interest on the Bonds is payable at a Weekly Rate, the Remarketing Agent will set a Weekly Rate on or before 5:00 p.m., New York City time, on the last Business Day before the commencement of a period during which the Bonds bear interest at a Weekly Rate and on each Tuesday thereafter so long as interest on the Bonds is to be payable at a Weekly Rate or, if any Tuesday is not a Business Day, on the

next preceding Business Day. Each Weekly Rate will be the minimum rate necessary (as determined by the Remarketing Agent based on the examination of tax-exempt obligations comparable to the Bonds known by the Remarketing Agent to have been priced or traded under then prevailing market conditions) for the Remarketing Agent to sell the Bonds on the date the rate is set at their principal amount (without regard to accrued interest). Thereafter, each Weekly Rate shall apply to (i) the period beginning on the Wednesday after the Weekly Rate is set and ending on the following Tuesday or, if earlier, ending on the day before the effective date of a new method of determining the interest rate on the Bonds or (ii) the period beginning on the effective date of the change to a Weekly Rate and ending on the next Tuesday.

(3) *Commercial Paper Rate*. During a Commercial Paper Mode, each Bond will bear interest during the Commercial Paper Period for such Bond at the Commercial Paper Rate for such Bond. Different Commercial Paper Periods may apply to different Bonds at any time and from time to time. Except as otherwise described in this subparagraph (3), the Commercial Paper Period and Commercial Paper Rate for each Bond will be determined by the Remarketing Agent no later than 12:15 p.m., New York City time, on the first day of each Commercial Paper Period.

(i) *Determination of Commercial Paper Periods*. Subject to Section 2.02(b)(2)(vii), each Commercial Paper Period will be a period of at least 1 day and not more than 365 days, determined by the Remarketing Agent to be the period which, together with all other Commercial Paper Periods for all Bonds then outstanding, will, in the judgment of the Remarketing Agent, result in the lowest overall interest expense on the Bonds over the next 365 days. Each Commercial Paper Period will end on either the day before a Business Day or on the day before the Maturity Date for such Bond. However, any Bond purchased on behalf of the Company and remaining unsold by the Remarketing Agent as of the close of business on the first day of the Commercial Paper Period for that Bond will have a Commercial Paper Period of 1 day or, if that Commercial Paper Period would not end on a day before a Business Day, a Commercial Paper Period of the shortest possible duration greater than 1 day ending on a day before a Business Day.

In determining the number of days in each Commercial Paper Period, the Remarketing Agent shall take into account the following factors: (I) existing short-term tax-exempt market rates and indices of such short-term rates, (II) the existing market supply and demand for short-term tax-exempt securities, (III) existing yield curves for short-term and long-term tax-exempt securities for obligations of credit quality comparable to the Bonds, (IV) general economic conditions, (V) industry economic and financial conditions that may affect or be relevant to the Bonds, (VI) the number of days in other Commercial Paper Periods applicable to the Bonds and (VII) such other facts, circumstances and conditions as the Remarketing Agent, in its sole discretion, shall determine to be relevant.

(ii) *Determination of Commercial Paper Rates*. The Commercial Paper Rate for each Commercial Paper Period for each Bond shall be the

minimum rate necessary (as determined by the Remarketing Agent based on the examination of tax-exempt obligations comparable to the Bonds known by the Remarketing Agent to have been priced or traded under then-prevailing market conditions) for the Remarketing Agent to sell such Bond on the date and at the time of such determination at its principal amount (without regard to accrued interest)

(4) *Long-Term Interest Rate.* The Remarketing Agent will set a Long-Term Interest Rate on a date no more than 15 days before the beginning of any period (a "*Long-Term Interest Rate Period*") in which interest on any of the Bonds will be payable at a Long-Term Interest Rate. The last day of each such Long-Term Interest Rate Period shall be determined by the Company in accordance with Section 2.02(b)(1). Each Long-Term Interest Rate will be the minimum rate necessary (as determined by the Remarketing Agent based on the examination of tax-exempt obligations comparable to the Bonds known by the Remarketing Agent to have been priced or traded under then-prevailing market conditions) for the Remarketing Agent to sell the Bonds on the effective date of the Long-Term Interest Rate at their principal amount (without regard to accrued interest).

(5) *Failure of Remarketing Agent to Announce Interest Rates on the Bonds.* If the appropriate interest rate or Commercial Paper Period is not or cannot be determined for whatever reason, the method of determining interest on the Bonds shall be automatically converted to the Weekly Rate (without the necessity of complying with the requirements of Section 2.02(b)) and the interest rate shall be equal to the J.J. Kenny Index, or such other index (or percentage of an index) deemed appropriate for tax-exempt securities of the nature of the Bonds as the Remarketing Agent, with the consent of the Trustee, may have previously selected, until such time as the method of determining interest on the Bonds can be changed in accordance with Section 2.02(b); *provided*, that if the Bonds are then in a Long-Term Interest Rate Period, the Bonds shall bear interest at a Weekly Rate, but only if a Favorable Opinion of Tax Counsel with respect to the change to a Weekly Rate has been delivered to the Trustee and the Issuer. If such Favorable Opinion of Tax Counsel has not been delivered, the Bonds shall remain in a Long-Term Interest Rate Period with an interest rate equal to the interest rate for the prior Long-Term Interest Rate Period and with a duration equal to the prior Long-Term Interest Rate Period (or, if earlier, a Long-Term Interest Rate Period ending on the day before the Maturity Date for such Bond). The Trustee shall promptly notify the Bondholders of any such automatic change as set forth in Section 2.02(c).

While Bonds are in a Commercial Paper Mode, during any transition period caused by an automatic conversion of such Bonds to a Weekly Rate in accordance with this Subsection (5), Bonds bearing interest at a Weekly Rate and Bonds bearing interest at a Commercial Paper Rate, as applicable, shall be governed by the provisions of this Indenture applicable to such methods of determining interest on the Bonds.

(b) (1) *Change in Interest Rate Determination Method.* The Company may change the method of determining the interest rate on the Bonds by notifying the Issuer, the

Trustee, the Remarketing Agent and, if a Book-Entry System is then in effect for the Bonds, the Securities Depository. Such notice shall contain (a) the effective date, (b) the proposed interest rate determination method, and (c) if the change is to a Long-Term Interest Rate or Rates, the last day of the first such Long-Term Interest Rate Period and, at the option of the Company, the effective date and last day of any successive Long-Term Interest Rate Periods (which last day for each Long-Term Interest Rate Period must be either the day before the Maturity Date for such Bonds or a day which is before a Business Day and is at least 365 days after the effective date). The Long-Term Interest Rate Period shall be the same duration for all of the Bonds. The notice must be accompanied by a Favorable Opinion of Tax Counsel, except as described below. If the Company's notice complies with this paragraph, and if the Company shall deliver addressed to the Trustee and the Issuer a confirming Opinion of Tax Counsel on the effective date as specified in the notice, the interest rate on the Bonds will be payable at the new rate on the effective date specified in the notice until there is another change as provided in this Section. Notwithstanding anything in this Indenture to the contrary, the Company must deliver a Favorable Opinion of Tax Counsel whenever there is a change from a period during which the interest rate on the Bonds is set at intervals of 365 days or less to a period during which the interest rate on the Bonds is set at intervals in excess of 365 days, or vice versa.

If the Company wishes to designate successive Long-Term Interest Rate Periods without specifying the effective dates and last days as described in the preceding paragraph for the second or any subsequent Long-Term Interest Rate Periods, it may do so by following the same procedure as for a change in the interest rate determination method as provided in the foregoing paragraph.

If, 30 days before the end of a Long-Term Interest Rate Period, the Company has not provided for the next interest rate period, a new Long-Term Interest Rate Period of the same duration will follow (or if shorter, a Long-Term Interest Rate Period ending on the day before the Maturity Date for the Bonds).

When one Long-Term Interest Rate Period follows another, all provisions of this Indenture applying to a change in the interest rate determination method will apply, except:

(A) the redemption described under "Mandatory Redemption Upon a Change in the Method of Determining the Interest Rate on the Bonds" in the Bonds;

(B) the Company will not be required to deliver a Favorable Opinion of Tax Counsel if a new Long-Term Interest Rate Period begins as a result of the Company failing to provide for the next interest rate period; and

(C) the Company will not be required to deliver a Favorable Opinion of Tax Counsel if the Company has previously designated a series of successive Long-Term Interest Rate Periods which, together with the current Long-Term Interest Rate Period, are substantially equal in length, and if a Favorable Opinion of Tax Counsel was delivered before the first such Long-Term Interest Rate Period in that series which applies to each such successive Long-Term Interest Rate Period.

(2) *Limitations*. Any change in the method of determining interest on the Bonds pursuant to paragraph (1) above must comply with the following:

(i) the effective date of a change (or each effective date in the case of a change from a Commercial Paper Mode) shall be a Business Day which is at least 15 days (30 days if a Long-Term Interest Rate is then in effect and the effective date is before the day after the last day of a Long-Term Interest Rate Period) after the twelfth Business Day after receipt by the Trustee of the Company's notice of the change;

(ii) if a Long-Term Interest Rate is then in effect, the effective date of any change must be either the day after the last day of the then current Long-Term Interest Rate Period or, except as described in clause (iii) below, a day on which the Bonds would otherwise be subject to redemption or purchase in lieu of redemption under the paragraph "Optional Redemption at a Premium During Long-Term Interest Rate Period" in Section 8 of the Bonds if the change did not occur;

(iii) if the Company has previously designated successive Long-Term Interest Rate Periods, the effective date of each Long-Term Interest Rate Period must be the day after the last day of the previous Long-Term Interest Rate Period;

(iv) if a Commercial Paper Mode is then in effect, the effective date of any change must be either the day after the last day of the Commercial Paper Mode or, as to any Bond, the day after the last day of the Commercial Paper Period then in effect (or to be in effect) with respect to that Bond;

(v) if any Bonds have been called for redemption and the redemption has not yet occurred, the effective date of the change cannot be before such redemption date;

(vi) if a Long-Term Interest Rate or a Daily Rate is then in effect, the effective date of any change cannot occur during the period after a Record Date and to, but not including, the related Interest Payment Date; and

(vii) if a Commercial Paper Mode is then in effect, the Remarketing Agent shall determine Commercial Paper Periods of such duration that will, in the judgment of the Remarketing Agent, best promote an orderly transition on the effective date. After the receipt by the Trustee of the Company's notice of such change, the day after the last day of each Commercial Paper Period shall be, with respect to such Bond, the effective date of the change. The Remarketing Agent shall promptly give written notice of each such last date and each such effective date with respect to each Bond to the Issuer, the Company, and the Trustee.

During any such transition period, Bonds bearing interest at a Commercial Paper Rate shall be governed by the provisions of this Indenture applicable to a Commercial Paper Mode and Bonds bearing interest at a Daily Rate, Weekly Rate or Long-Term Interest Rate, as applicable, shall be governed by the provisions of this Indenture applicable to such methods of determining interest on the Bonds.

(c) *Notice to Bondholders of Change in Interest Rate Determination Method.* When a change in the interest rate determination method is to be made, or upon commencement of a new Long-Term Interest Rate Period, the Trustee will, upon notice from the Company pursuant to Section 2.02(b), notify the Bondholders by first class mail at least 15 days before the effective date (or each effective date in the case of an adjustment from a Commercial Paper Mode) of the change, except that such notice shall be given at least 30 days prior to the effective date if a Long-Term Interest Rate is in effect and the effective date is on or before the end of the Long-Term Interest Rate Period. The notice shall be effective when sent and shall state:

(1) that the interest rate determination method will be changed and what the new method will be,

(2) the effective date of the new rate, and

(3) that a mandatory redemption or mandatory purchase in lieu of redemption will result on the effective date of the change as provided in the Bonds and all the information required by this Indenture to be included in a notice of redemption set forth in Section 3.04.

The information required in any notice pursuant to this subsection (c) and the information referred to in any redemption notice (including an Additional Notice) pursuant to Section 3.04 may be combined in a single notice if it is sent to Bondholders in the manner and at the time specified under "Notice of Redemption" in Section 8 of the form of the Bonds.

(d) *Calculation of Interest.* The Remarketing Agent shall provide the Trustee and the Company with notice in writing or by telephone (any such notice by telephone to be delivered to a Responsible Officer of the Trustee) promptly confirmed by facsimile transmission by 12:30 p.m., New York City time,

(1) on the first Business Day after a month in which interest on the Bonds was payable at Daily Rate, of the Daily Rate for each day in such month,

(2) on each day on which a Weekly Rate becomes effective, of the Weekly Rate,

(3) on the first day of each Commercial Paper Period, of the length thereof and the Commercial Paper Rate, and, if there is more than one Commercial Paper Rate then in effect, of the related applicable principal amounts,

(4) on the first Business Day of a Long-Term Interest Rate Period, of the Long-Term Interest Rate or Long-Term Interest Rates set for that period and the related applicable principal amounts, and

(5) on any Business Day preceding any redemption or purchase date, any interest rate requested by the Trustee in order to enable it to calculate the accrued interest, if any, due on such redemption or purchase date.

Using the rates supplied by this notice, the Trustee will calculate the interest payable on the Bonds. The Remarketing Agent will inform the Trustee and the Company orally at the oral request of either of them of any interest rate set by the Remarketing Agent. The Trustee will confirm the effective interest rate by telephone or in writing to any Bondholder who requests it in any manner.

The setting of the rates and the determination of Commercial Paper Periods by the Remarketing Agent and the calculation of interest payable on the Bonds by the Trustee as provided in this Indenture will be conclusive and binding on the Issuer, the Company, the Trustee and the owners of the Bonds.

(e) *Change in Rate Determination Method-Opinions of Counsel.* Notwithstanding any provision of this Section 2.02, no change shall be made in the interest rate determination method at the direction of the Company pursuant to Section 2.02(b)(1) hereof if the Company shall fail to deliver a Favorable Opinion of Tax Counsel and confirmation thereof required under Section 2.02(b)(1). If the Trustee shall have sent any notice to the Bondholders regarding a change in rate under Section 2.02(c), then in the event of such failure to deliver such opinion or confirmation, the Trustee shall promptly notify all Bondholders of such failure.

Section 2.03. Execution and Authentication. The Bonds shall be signed on behalf of the Issuer with the manual or facsimile signature of the Chairman or Vice Chairman of its Board of County Commissioners and attested by the manual or facsimile signature of its Clerk or Deputy Clerk, and the seal of the Issuer shall be impressed or imprinted on the Bonds by facsimile or otherwise. All authorized facsimile signatures shall have the same effect as if manually signed. If an officer of the Issuer whose signature is on a Bond no longer holds that office at the time the Trustee authenticates the Bond, the Bond shall nevertheless be valid. Also, if a person signing a Bond is the proper officer on the actual date of execution, the Bond shall be valid even if that person is not the proper officer on the nominal date of action.

A Bond shall not be valid for any purpose under this Indenture until the Trustee manually signs the certificate of authentication on the Bond. Such signature shall be conclusive evidence that the Bond has been authenticated under this Indenture.

As a precondition to the initial authentication and delivery of the Bonds, the Trustee shall receive a request and authorization to the Trustee from the Issuer, signed by the Chairman or Vice Chairman of the Issuer, to authenticate and deliver the Bonds to the persons and in the manner therein described.

Section 2.04. Bond Register. Bonds must be presented at the principal corporate trust office of the Trustee for registration, registration of transfer, exchange and payment. Bonds tendered by their holders must be delivered as specified in the Bonds. The Trustee shall keep a

register of Bonds and of their registration of transfer and exchange, which register shall be open to inspection by the Issuer and the Company during normal business hours.

Section 2.05. Registration and Exchange of Bonds; Persons Treated as Owners. Bonds may be registered as transferred only on the register maintained by the Trustee. Upon surrender for registration of transfer of any Bond to the Trustee, duly endorsed for transfer or accompanied by an assignment duly executed by the holder or the holder's attorney duly authorized in writing, the Trustee will authenticate a new Bond or Bonds of the same maturity, in an equal total principal amount and registered in the name of the transferee.

Bonds may be exchanged for an equal total principal amount of Bonds of the same maturity but of different authorized denominations. The Trustee will authenticate and deliver Bonds that the Bondholder making the exchange is entitled to receive, bearing numbers not then outstanding.

Except in connection with the purchase of Bonds tendered for purchase or purchased in lieu of redemption, the Trustee will not be required to register the transfer of or to exchange any Bond called for redemption or during the period beginning 15 days before the mailing of notice calling the Bonds or any portion of the Bonds for redemption and ending on the redemption date.

The registered owner of a Bond shall be treated as the absolute owner of the Bond for all purposes, and payment of principal, interest or purchase price shall be made only to or upon the written order of the holder or the holder's legal representative, notwithstanding any notice, actual or constructive, to the contrary.

The Trustee will require the payment by a Bondholder requesting exchange or registration of transfer of any tax or other governmental charge required to be paid in respect of the exchange or registration of transfer but will not impose any other charge.

Section 2.06. Mutilated, Lost, Stolen, Destroyed or Undelivered Bonds. If any Bond is mutilated, lost, stolen or destroyed, the Trustee will authenticate a new Bond of the same denomination with similar terms if any mutilated Bond shall first be surrendered to the Trustee, and if, in the case of any lost, stolen or destroyed Bond, there shall first be furnished to the Issuer, the Trustee and the Company evidence of such loss, theft or destruction, together with an indemnity, satisfactory to them. If the Bond has matured or become subject to redemption or purchase, instead of issuing a replacement Bond, the Trustee may with the consent of the Company pay the Bond without requiring surrender of the Bond and make such requirements as the Trustee deems fit for its protection, including a lost instrument bond. The Issuer, the Company and the Trustee may charge their reasonable fees and expenses in this connection.

If a Bond is called for redemption and the Company elects to purchase the Bond in lieu of redemption as provided in Article III, or if the holder of a Bond gives irrevocable instructions to the Remarketing Agent for purchase, and in each case funds are deposited with the Trustee sufficient for the purchase, the Trustee upon request of the Company or the Remarketing Agent will authenticate a new Bond in the same maturity and in the same denomination registered as the Company or the Remarketing Agent may direct and deliver it to the Company or upon the

Company's order, whether or not the Bond purchased or called for redemption is ever delivered, and the undelivered Bonds shall be canceled on the books of the Trustee, whether or not said undelivered Bonds have been delivered to the Trustee. From and after the purchase date, interest on such Bond shall cease to be payable to the prior holder thereof, such holder shall cease to be entitled to the benefits or security of this Indenture and shall have recourse solely to the funds held by the Trustee for the purchase of such Bond and the Trustee shall not register any further transfer of such Bond by such prior holder. All funds held by the Trustee for the purchase of undelivered Bonds shall be held uninvested.

Section 2.07. Cancellation of Bonds. Whenever a Bond is delivered to the Trustee for cancellation (upon payment, redemption or otherwise), or for registration of transfer, exchange or replacement pursuant to Section 2.05 or Section 2.06, the Trustee will promptly cancel and dispose of the Bond in accordance with the Trustee's policy of disposal; provided, however, that the Trustee shall not be required to destroy canceled Bonds.

Section 2.08. Temporary Bonds. Until definitive Bonds are ready for delivery, the Issuer may execute and the Trustee will authenticate temporary Bonds substantially in the form of the definitive Bonds, with appropriate variations. The Issuer will, without unreasonable delay, prepare and the Trustee will authenticate definitive Bonds in exchange for the temporary Bonds Such exchange shall be made by the Trustee without charge.

ARTICLE III

REDEMPTION, PURCHASES IN LIEU OF REDEMPTION AND REMARKETING

Section 3.01. Notices to Trustee. If the Company wishes that any Bonds be redeemed pursuant to any optional redemption provision in the Bonds, the Company will notify the Trustee of the applicable provision, the redemption date, the principal amount of the Bonds to be redeemed and other necessary particulars in accordance with Section 4.7 of the Agreement.

Section 3.02. Redemption Dates. The redemption date of Bonds to be redeemed pursuant to any optional redemption provision in the Bonds will be a date permitted by the Bonds and specified by the Company in the notice delivered pursuant to Section 4.7 of the Agreement. The redemption date for mandatory redemptions will be as specified in the Bonds to be redeemed or determined by the Trustee consistently with the provisions of the Bonds.

Section 3.03. Selection of Bonds to Be Redeemed. Except as provided in the Bonds, if fewer than all the Bonds are to be redeemed, the Trustee will select the Bonds to be redeemed by lot or other method it deems fair and appropriate, except that the Trustee will first select any Bonds owned by the Company or any of its nominees or held by the Trustee for the account of the Company or any of its nominees. The Trustee will make the selection from Bonds not previously called for redemption. For this purpose, the Trustee will consider each Bond in a denomination larger than the minimum denomination permitted by the Bonds at the time to be separate Bonds each in the minimum denomination. Provisions of this Indenture that apply to Bonds called for redemption also apply to portions of Bonds called for redemption.

Section 3.04. Redemption Notices.

(a) *Official Notice of Redemption*. The Trustee will give notice of each redemption as provided in the Bonds and will at the same time give a copy of the notice to the Remarketing Agent, *provided that* no redemption notice shall be given with respect to a redemption under "Mandatory Redemption on Each Interest Payment Date During Commercial Paper Mode" in Section 8 of the form of the Bonds. The notice shall identify the Bonds to be redeemed and shall state (1) the redemption date (and, if the Bonds provide that accrued interest will not be paid on the redemption date, the date it will be paid), (2) the redemption price, (3) that the Bonds called for redemption must be surrendered to collect the redemption price, (4) the address at which the Bonds must be surrendered and (5) that interest on the Bonds called for redemption ceases to accrue on the redemption date.

With respect to an optional redemption of any Bonds under "Optional Redemption at a Premium During Long-Term Interest Rate Period," "Extraordinary Optional Redemption" or "Optional Redemption During Daily or Weekly Rate Period" in Section 8 of the form of the Bonds, unless moneys sufficient to pay the principal of, redemption premium, if any, and interest on the Bonds to be redeemed shall have been received by the Trustee prior to the giving of such notice of redemption, such notice may state that said redemption shall be conditional upon the receipt of such moneys by the Trustee on or prior to the date fixed for redemption. If such moneys are not received, such notice shall be of no force and effect and the Issuer shall not redeem such Bonds, the redemption price shall not be due and payable, and the Trustee shall give notice, in the same manner in which the notice of redemption was given, that such moneys were not so received and that such Bonds will not be redeemed.

Failure to give any required notice of redemption as to any particular Bonds or any defect therein will not affect the validity of the call for redemption of any Bonds in respect of which no such failure or defect has occurred. Any notice mailed as provided in the Bonds shall be effective when sent and will be conclusively presumed to have been given whether or not actually received by any holder.

(b) *Additional Notice of Redemption*. In addition to the redemption notice required above, if there is not a Book-Entry System in effect for the Bonds, further notice (the "*Additional Notice*") shall be given by the Trustee as set out below. No defect in the Additional Notice nor any failure to give all or any portion of the Additional Notice shall in any manner defeat the effectiveness of a call for redemption if notice is given as prescribed in paragraph (a) above.

(1) Each Additional Notice of redemption shall contain the information required in paragraph (a) above for an official notice of redemption plus (i) the CUSIP numbers of all Bonds being redeemed; (ii) the date of the Bonds as originally issued; (iii) the interest rate determination method for, or the rate of interest borne by each Bond being redeemed; (iv) the maturity date of each Bond being redeemed; and (v) any other descriptive information needed to identify accurately the Bonds being redeemed.

(2) Each Additional Notice of redemption shall be sent at least 30 days before the redemption date by registered or certified mail or overnight delivery service (or by such other means as the Trustee may have established with the securities depository or information service) to all registered securities depositories then in the business of holding substantial amounts of obligations similar to the Bonds (such depositories now being Depository Trust Company of New York, New York, Midwest Securities Trust Company of Chicago, Illinois, and Philadelphia Depository Trust Company of Philadelphia, Pennsylvania) and to one or more national information services that disseminate notices of redemption of obligations such as the Bonds.

The information required in any redemption notice (including an Additional Notice) pursuant to this Section and the information required in any notice pursuant to Section 2.02(c) may be combined in a single notice if it is sent to Bondholders in the manner and at the time specified under "Notice of Redemption" in Section 8 of the form of the Bonds.

Section 3.05. Payment of Bonds Called for Redemption. Upon surrender to the Trustee, Bonds called for redemption shall be paid or purchased in lieu of redemption as provided in this Article at the redemption price (including premium, if any) stated in the notice, plus interest accrued to the redemption date, or at a purchase price as provided in the form of Bond, except that interest payable on Bonds bearing interest at a Daily Rate will be paid on the fifth Business Day following the redemption date. Bonds called for redemption and purchased pursuant to a tender before the redemption date will not be redeemed but will be dealt with as provided below in this Article. Upon the payment of the redemption price of the Bonds being redeemed, each check or other transfer of funds issued for such purpose shall bear the CUSIP number identifying, by issue and maturity, the Bonds being redeemed with the proceeds of such check or other transfer.

Section 3.06. Bonds Redeemed in Part. Subject to Article V, upon surrender of a Bond redeemed or purchased in lieu of redemption in part, the Trustee will authenticate for the holder a new Bond or Bonds in authorized denominations equal in principal amount to the unredeemed or unpurchased portion of the Bond surrendered.

Section 3.07. Purchase of Bonds in Lieu of Redemption. When Bonds are called for redemption pursuant to the paragraphs captioned "Optional Redemption at a Premium During Long-Term Interest Rate Period", "Mandatory Redemption at Beginning of a New Long-Term Interest Rate Period" or "Mandatory Redemption Upon a Change in the Method of Determining the Interest Rate on the Bonds" in Section 8 of the form of the Bonds, the Company may purchase some of or all the Bonds called for redemption for a price equal to the otherwise applicable redemption price, if it (or the Remarketing Agent) gives written notice to the Trustee by 5:00 p.m. New York City time on the day before the redemption date that it wishes to purchase the Bonds the principal amount of which is specified in the notice and furnishes the Trustee sufficient money in sufficient time for the Trustee to make the purchase on the redemption date. The Trustee will purchase Bonds called for redemption pursuant to the paragraph captioned "Mandatory Redemption on Each Interest Payment Date During Commercial Paper Mode" unless otherwise instructed in writing by the Company, or unless the

Indenture otherwise requires that they be redeemed and canceled, before the redemption date. The Trustee will purchase the Bonds pursuant to this Section only as provided in Section 4.02.

Section 3.08. Disposition of Purchased Bonds. (a) *Bonds to be Remarketed.* Bonds purchased pursuant to tenders as provided in the form of Bonds or in lieu of redemption as provided in the foregoing Section will be offered for sale by the Remarketing Agent as provided in this Section except as follows:

(1) Bonds purchased pursuant to a tender after having been called for redemption under a provision in the form of Bond that does not provide the Company an option to purchase in lieu of redemption will be canceled.

(2) Bonds called for redemption under "Mandatory Redemption Upon a Change in the Method of Determining the Interest Rate on the Bonds" in Section 8 of the form of Bond, which are tendered between the date notice of redemption is given and the redemption date, may be remarketed before the redemption date only if the buyer receives a copy of the redemption notice from the Remarketing Agent.

(3) Bonds will not be offered for sale under this Section during the continuance of an Event of Default under Section 8.01(a), (b), (c) or (d). Bonds will be offered for sale under this Section during an event which with the passage of time or the giving of notice or both may become an Event of Default only in the sole discretion of the Remarketing Agent.

(b) *Remarketing Effort.* Except to the extent the Company directs the Remarketing Agent not to do so, the Remarketing Agent will offer for sale and use reasonable efforts to sell all Bonds to be sold as provided in paragraph (a) above and, when directed by the Company, any Bonds held by the Company. The sale price of each Bond must be equal to the principal amount of each Bond plus accrued interest, if any, to the purchase date. The Company may direct the Remarketing Agent from time to time to cease and to resume sales efforts with respect to some of or all the Bonds. The Remarketing Agent may buy as principal any Bonds to be offered under this Section.

(c) *Notices in Respect of Tenders.* When the Trustee receives a notice from a Bondholder (or a Beneficial Owner through its direct Participant) as specified in Section 6 of the form of the Bond for the Bondholder (or a Beneficial Owner through its direct Participant) to tender Bonds, the Trustee will promptly notify the Remarketing Agent and the Company by facsimile transmission or telephone, promptly confirmed in writing, of the receipt of such notice, but in no event later than the following times:

(i) when the Bonds bear interest at a Daily Rate, no later than 11:30 a.m. (New York City time) on the same Business Day; and

(ii) when the Bonds bear interest at a Weekly Rate, no later than 11:15 a.m. (New York City time) on the Business Day next succeeding receipt of such notice.

(d) *Delivery of Remarketed Bonds.*

(i) Except when a book-entry system of registration is in effect, the Trustee shall hold all Bonds delivered pursuant to this Section in trust for the benefit of the owners thereof until moneys representing the purchase price of such Bonds shall have been delivered to or for the account of or to the order of such Bondholders, and thereafter, if such Bonds are remarketed, shall deliver replacement Bonds, prepared by the Trustee in accordance with the directions of the Remarketing Agent and authenticated by the Trustee, for any Bonds purchased in accordance with the written directions of the Remarketing Agent to the Remarketing Agent for delivery to the purchasers thereof.

(ii) The Remarketing Agent shall advise the Trustee and the Company in writing or by facsimile transmission of the principal amount of Bonds which have been remarketed, together with the denominations and registration instructions (including taxpayer identification numbers) in accordance with the following schedule (all times of which are New York City time):

CURRENT METHOD OF INTEREST RATE DETERMINATION OR, IN CONNECTION WITH A CHANGE IN SUCH METHOD, THE NEW METHOD OF INTEREST RATE DETERMINATION	TIME BY WHICH INFORMATION TO BE FURNISHED TO TRUSTEE
Commercial Paper Period	12:15 p.m. on the purchase date
Daily Rate Period	12:15 p.m. on the purchase date
Weekly Rate Period	12:15 p.m. on the purchase date
Long-Term Interest Rate Period	12:15 p.m. on the purchase date

(iii) The terms of any sale by the Remarketing Agent shall provide for the authorization of the payment of the purchase price by the Remarketing Agent to the Trustee in exchange for Bonds registered in the name of the new Bondholder which shall be delivered by the Trustee to the Remarketing Agent at or before 2:00 p.m. (New York City time) on the purchase date if the purchase price has been received from the Remarketing Agent by the time set forth in Section 3.08(e) on the purchase date.

(e) *Delivery of Proceeds of Sale.* The Remarketing Agent shall deliver directly to the Trustee an amount equal to the principal amount thereof plus accrued interest, if any, of the Bonds which the Remarketing Agent has advised the Trustee have been remarketed pursuant to Section 3.08(d)(ii) no later than 12:30 p.m. (New York City time) on the purchase date.

ARTICLE IV

APPLICATION OF PROCEEDS AND PAYMENT OF BONDS

Section 4.01. Application of Proceeds. The Issuer will cause the proceeds of the initial sale of the Bonds to be deposited with the Trustee in a segregated trust account. On a date or dates to be designated by the Company the Trustee will disburse the proceeds of the initial sale

of the Bonds and any investment earnings thereon to the Refunded Bonds Trustee for deposit in the bond fund created under the Prior Indenture, to be applied to pay the redemption price of the Refunded Bonds upon call for redemption.

Pursuant to Section 3.1 of the Agreement, the Company has agreed to pay to the Refunded Bonds Trustee the amount in excess of the proceeds of the Bonds needed to pay the redemption price of the Refunded Bonds.

Section 4.02. Payment of Bonds. The Trustee will make payments of principal of, premium, if any, and interest on the Bonds from moneys available to the Trustee under this Indenture for that purpose. The Trustee will pay the purchase price of tendered Bonds *first* from the proceeds of the remarketing of Bonds under Section 3.08 and *second* from other moneys available to the Trustee for that purpose.

All moneys received as proceeds of remarketing the Bonds under Section 3.08 shall be held segregated by the Trustee in a separate and segregated trust account. To the extent that the payment of principal or interest on the Bonds is made from moneys as described in this Section, such payment shall also satisfy and discharge any payment obligation of the Company under the Note and the Trustee shall promptly notify the Company and the Mortgage Trustee in writing if such payment requirement has not been satisfied. If any Bond is redeemed prior to maturity or if the Company surrenders any Bond to the Trustee for cancellation, the Trustee shall cancel such Bond.

Section 4.03. Investments of Moneys. The Trustee will invest and reinvest moneys held by the Trustee as directed by the Company in writing, in:

(a) Government Obligations;

(b) Bonds and notes of the Federal Land Bank;

(c) Obligations of the Federal Intermediate Credit Bank;

(d) Obligations of the Federal Bank for Cooperatives;

(e) Bonds and notes of Federal Home Loan Banks;

(f) Negotiable or non-negotiable certificates of deposit, time deposits or similar banking arrangements, issued by a bank or trust company (which may be the commercial banking department of the Trustee or any bank or trust company under common control with the Trustee) or savings and loan association which are insured by the Federal Deposit Insurance Corporation or secured as to principal by Government Obligations; or

(g) Other investments then permitted by law.

The Trustee may make investments permitted by this Article through its own bond department or the bond department of any bank or trust company under common control with the

Trustee. The Trustee, when authorized by the Company, may trade with itself in the purchase and sale of securities for such investment. Investments will be registered in the name of the Trustee and held by or under the control of the Trustee. The Trustee will sell and reduce to cash a sufficient amount of investments whenever the cash held by the Trustee is insufficient. The Trustee shall not be liable for any loss from such investments to the extent directed by the Company.

Section 4.04. Moneys Held in Trust; Unclaimed Funds. The Trustee shall deposit into a separate and segregated trust account for the benefit of the Bondholders all moneys received by it for any payment on the Bonds. The proceeds of the initial sale of the Bonds shall be held in a separate and segregated trust account by the Trustee until disbursed as described in Section 4.01. Money received by the Remarketing Agent or the Trustee from the sale of a Bond under Section 3.08 or for the purchase of a Bond will be held segregated from other funds of the Remarketing Agent or the Trustee in trust for the benefit of the person from whom such Bond was purchased or the person delivering such purchase money, as the case may be, and will not be invested. The Trustee shall promptly, but in no event later than 30 days of their original deposit, apply moneys received from the Company in accordance with this Indenture and as directed in writing by the Company.

Notwithstanding the provisions of the immediately preceding paragraph, any moneys which shall be set aside by the Trustee or deposited by the Trustee with the paying agents and which shall remain unclaimed by the holders of such Bonds for a period of six (6) years after the date on which such Bonds shall have become due and payable shall upon request in writing be paid to the Company or to such officer, board or body as may then be entitled by law to receive the same, and thereafter the holders of such Bonds shall look only to the Company or to such officer, board or body, as the case may be, for payment and then only to the extent of the amount so received without any interest thereon, and the Trustee, the Issuer and the paying agents shall have no responsibility with respect to such moneys.

ARTICLE V

BOOK-ENTRY SYSTEM

Section 5.01. Book-Entry System. The Bonds shall be initially issued in the name of Cede & Co., as nominee for The Depository Trust Company as the initial Securities Depository and registered owner of such Bonds, and held in the custody of the Securities Depository. A single certificate will be issued and delivered to the Securities Depository, or a custodian thereof, for the Bonds. The Beneficial Owners will not receive physical delivery of Bond certificates except as provided herein. For so long as the Securities Depository shall continue to serve as securities depository for such Bonds as provided herein, all transfers of beneficial ownership interests will be made by book-entry only on the records of the Securities Depository, and no investor or other party purchasing, selling or otherwise transferring beneficial ownership of such Bonds is to receive, hold or deliver any Bond certificate. The Issuer, the Company and the Trustee will recognize the Securities Depository or its nominee as the Bondholder of such Bonds for all purposes, including payment, notices and voting.

The Issuer and the Trustee covenant and agree, so long as The Depository Trust Company shall continue to serve as Securities Depository for the Bonds, to meet the requirements of The Depository Trust Company with respect to required notices and other provisions of the Letter of Representations among The Depository Trust Company, the Issuer, the Trustee, the Company and the Remarketing Agent, executed with respect to the Bonds.

The Issuer, the Trustee, the Company and the Remarketing Agent may conclusively rely upon (i) a certificate of the Securities Depository as to the identity of the Participants in the Book-Entry-System and (ii) a certificate of any such Participant as to the identity of, and the respective principal amount of Bonds beneficially owned by, the Beneficial Owners.

Whenever, during the term of the Bonds, the beneficial ownership thereof is determined by a book-entry at the Securities Depository, the requirements in this Indenture of holding, delivering or transferring Bonds shall be deemed modified to require the appropriate person to meet the requirements of the Securities Depository as to registering or registering the transfer of the book-entry to produce the same effect. Any provision hereof permitting or requiring delivery of Bonds shall, while the Bonds are in a Book-Entry System, be satisfied by the notation on the books of the Securities Depository in accordance with applicable law.

The Trustee and the Issuer, at the direction and expense of the Company and with the consent of the Remarketing Agent, may from time to time appoint a successor Securities Depository and enter into an agreement with such successor Securities Depository to establish procedures with respect to the Bonds consistent with current industry practice. Any successor Securities Depository shall be a "clearing agency" registered under Section 17A of the Securities Exchange Act of 1934, as amended.

None of the Issuer, the Company, the Trustee nor the Remarketing Agent will have any responsibility or obligation to any Securities Depository, any Participants in the Book-Entry System or the Beneficial Owners with respect to (i) the accuracy of any records maintained by the Securities Depository or any Participant; (ii) the payment by the Securities Depository or by any Participant of any amount due to any Beneficial Owner in respect of the principal amount or redemption or purchase price of, or interest on, any Bonds; (iii) the delivery of any notice by the Securities Depository or any Participant; (iv) the selection of the Beneficial Owners to receive payment in the event of any partial redemption of the Bonds; or (v) any other action taken by the Securities Depository or any Participant.

Bond certificates are required to be delivered to and registered in the name of the Beneficial Owner, under the following circumstances:

(a) The Securities Depository determines to discontinue providing its service with respect to the Bonds and no successor Securities Depository is appointed as described above. Such a determination may be made at any time by giving 30 days' notice to the Issuer, the Company and the Trustee and discharging its responsibilities with respect thereto under applicable law.

(b) The Company determines not to continue the Book-Entry System through a Securities Depository.

The Trustee is hereby authorized to make such changes to the form of bond attached hereto as Exhibit A which are necessary or appropriate to reflect that the Book-Entry System is not in effect, that a successor Securities Depository has been appointed or that an additional or co-paying agent or tender agent has been designated pursuant to Section 13.03 hereof.

If at any time, the Securities Depository ceases to hold the Bonds all references herein to the Securities Depository shall be of no further force or effect.

ARTICLE VI

COVENANTS

Section 6.01. Payment of Bonds. The Issuer will promptly pay the principal of, premium, if any, and interest on, and other amounts due with respect to, the Bonds on the dates and in the manner provided in the Bonds, but only from the amounts assigned to and held by the Trustee under this Indenture. Neither the State of Florida, nor any political subdivision thereof (including Jackson County) shall be obligated to pay the principal of the Bonds, or the premium, if any, or interest thereon or other costs incidental thereto, the same being payable solely from the revenues and receipts hereinabove referred to.

The Bonds do not pledge the faith, credit or taxing power of the State of Florida or any political subdivision thereof, including the County, but shall be limited and special obligations payable solely from the proceeds derived by the Issuer under the Agreement and the Note, and neither the Issuer nor the State of Florida, nor any political subdivision thereof, shall ever be required to (i) levy ad valorem taxes on any property within its territorial limits to pay the principal of and premium, if any, and interest on the Bonds or to make any other payments provided for hereunder or under the Agreement or the Note for the Bonds, or (ii) pay the same from any funds of the Issuer other than those derived by the Issuer under the Agreement or the Note, and such Bonds shall not constitute a lien upon any property owned by or situated within the territorial limits of the Issuer except the proceeds derived under the Agreement and the Note.

Section 6.02. Performance of Covenants; Issuer. The Issuer covenants that it will faithfully perform at all times any and all covenants, undertakings, stipulations and provisions contained in this Indenture, in any and every Bond executed, authenticated and delivered hereunder and in all of its proceedings pertaining hereto. The Issuer covenants that it is duly authorized under the Constitution and laws of the State of Florida, including particularly and without limitation the Act, to issue the Bonds authorized hereby and to execute this Indenture, to assign and pledge the Note and the Agreement and the amounts payable under the Note and to pledge the amounts hereby pledged in the manner and to the extent herein set forth; that all action on its part necessary for the issuance of the Bonds and the execution and delivery of this Indenture has been duly and effectively taken; and that the Bonds in the hands of the owners

thereof are and will be valid and enforceable obligations of the Issuer according to the terms thereof and hereof.

Section 6.03. Recording and Filing; Further Assurances. The Issuer will execute and deliver such supplemental indentures and such further instruments, and do such further acts, as the Trustee may reasonably require for the better assuring, assigning and confirming to the Trustee the amounts assigned under this Indenture for the payment of the Bonds. The Issuer further covenants that it will not create or suffer to be created any lien, encumbrance or charge upon its interest in the Note, the Deed of Trust or the Agreement, if any, except the lien of this Indenture.

Section 6.04. Tax Covenants. The Issuer covenants that it shall not knowingly take any action which would cause the Bonds to be treated as "arbitrage bonds" within the meaning of Section 148 of the Internal Revenue Code of 1986, as amended, and the proposed, temporary or final regulations thereunder as such may be applicable to the Bonds or the proceeds derived from the sale of the Bonds or any other moneys; provided, however, that no action taken by the Issuer pursuant to and in accordance with the terms of the Agreement or this Indenture shall give rise in any manner whatsoever to any claim against or liability of the Issuer under this Indenture; and provided further, that any such claims or liabilities shall in all events be subject to the indemnification provisions of the Agreement.

Notwithstanding any provision of this Indenture to the contrary, the Trustee shall not be liable or responsible for any calculation or determination which may be required in connection with, or for the purpose of complying with, Section 148 of the Code, or any successor statute or any regulation, ruling or other judicial or administrative interpretation thereof, including, without limitation, the calculation of amounts required to be paid to the United States of America or the determination of the maximum amount which may be invested in nonpurpose obligations having a yield higher than the yield on the Bonds, and the Trustee shall not be liable or responsible for monitoring the compliance by the Issuer or the Company with any of the requirements of Section 148 of the Code or any applicable regulation, ruling or other judicial or administrative interpretation thereof; it being acknowledged and agreed that the sole obligation of the Trustee with respect to the investment of monies held under any fund or account created hereunder shall be to invest such monies in accordance with Section 4.03 hereof in each case pursuant to the instructions received by the Trustee in accordance with Section 4.03 hereof.

Section 6.05. Rights Under Agreement. The Agreement, a duly executed counterpart of which has been filed with the Trustee, sets forth the covenants and obligations of the Issuer and the Company, and reference is hereby made to the same for a detailed statement of said covenants and obligations of the Company thereunder; and the Issuer agrees that the Trustee in its own name or in the name of the Issuer may enforce all rights of the Issuer and all obligations of the Company under and pursuant to the Agreement for and on behalf of the Bondholders, whether or not the Issuer is in default hereunder.

Section 6.06. Designation of Additional Paying Agents. The Issuer may cause, with the consent of the Company, the necessary arrangements to be made through the Trustee and to be thereafter continued for the designation of additional paying agents and for providing for the

payment of such of the Bonds as shall be presented when due at the designated corporate trust office of the Trustee, or its successor in trust hereunder, or at the designated principal office of said additional paying agents. All such funds held by said additional paying agents shall be held by each of them in trust and shall constitute a part of the trust estate and shall be subject to the security interest created hereby.

Section 6.07. Existence of Issuer. The Issuer covenants that it will at all times maintain its legal existence and will duly procure any necessary renewals and extensions thereof; will use its best efforts to maintain, preserve and renew all the rights, powers, privileges and franchises owned by it; and will comply with all valid acts, rules, regulations and orders of any legislative, executive, judicial or administrative body applicable to the Project.

ARTICLE VII

DISCHARGE OF INDENTURE

Section 7.01. Bonds Deemed Paid; Discharge of Indenture. Any Bond will be deemed paid for all purposes of this Indenture when (a) payment of the principal of and interest on the Bond to the due date of such principal and interest (whether at maturity, upon redemption or otherwise) or the payment of the purchase price either (1) has been made in accordance with the terms of the Bonds or (2) has been provided for by depositing with the Trustee in trust (A) moneys in an amount which are sufficient to make such payment and/or (B) Government Obligations maturing as to principal and interest in such amounts and at such times as will insure, without any further reinvestment, the availability of sufficient moneys to make such payment, and (b) all compensation and reasonable expenses of the Trustee pertaining to each Bond in respect of which such deposit is made have been paid or provided for to the Trustee's satisfaction. When a Bond is deemed paid, it will no longer be secured by or entitled to the benefits of this Indenture or be an obligation of the Issuer, and shall be payable solely from the moneys or Government Obligations under (a)(2) above, except that such Bond may be tendered if and as provided in the Bonds and it may be registered as transferred, exchanged, registered, discharged from registration or replaced as provided in Article II.

Notwithstanding the foregoing, upon the deposit of funds or Government Obligations under clause (a)(2) of the first paragraph of this Section, the purchase price of tendered Bonds shall be paid from the sale of Bonds under Section 3.08. If payment of such purchase price is not made from the sale of Bonds pursuant to Section 3.08, payment shall be made from funds (or Government Obligations) on deposit pursuant to this Section without the need of any further instruction or direction by the Company, in which case such Bonds shall be surrendered to the Trustee and canceled.

Notwithstanding the foregoing, no deposit under clause (a)(2) of the first paragraph of this Section shall be deemed a payment of a Bond until the (1) Company has furnished the Trustee an Opinion of Tax Counsel to the effect that the deposit of such cash or Government Obligations will not cause the Bonds to become "arbitrage bonds" under Section 148 of the Code and (2) (a) notice of redemption of the Bond is given in accordance with Article III or, if the

Bond is not to be redeemed or paid within the next 60 days, until the Company has given the Trustee, in form satisfactory to the Trustee, irrevocable instructions (i) to notify, as soon as practicable, the owner of the Bond, in accordance with Article III, that the deposit required by (a)(2) above has been made with the Trustee and that the Bond is deemed to be paid under this Article and stating the maturity or redemption date upon which moneys are to be available for the payment of the principal of the Bond, and premium, if any, and interest on such Bond, if the Bond is to be redeemed rather than paid and (ii) to give notice of redemption not less than 30 nor more than 60 days prior to the redemption date for such Bond or (b) the maturity of the Bond.

When all outstanding Bonds are deemed paid under the foregoing provisions of this Section, the Trustee will upon request acknowledge the discharge of the lien of this Indenture, provided, however that the obligations relating to the tender for purchase as provided in the Bonds and obligations under Article II in respect of the registration of transfer, exchange, registration, discharge from registration and replacement of Bonds shall survive the discharge of the lien of the Indenture.

Section 7.02. Application of Trust Money. The Trustee shall hold in trust money or Government Obligations deposited with it pursuant to the preceding Section and shall apply the deposited money and the money from the Government Obligations in accordance with this Indenture only to the payment of principal of, premium, if any, and interest on the Bonds and to the payment of the purchase price of tendered Bonds.

Section 7.03. Repayment to Company. Any excess money or securities held by the Trustee at any time under this Article and any money held by the Trustee under any provision of this Indenture for the payment of principal or interest or for the purchase of Bonds that remains unclaimed for six years shall upon request be promptly paid to the Company or to such officer, board or body as may then be entitled by law to receive the same, and thereafter the holders of such Bonds shall look only to the Company or to such officer, board or body, as the case may be, for payment and then only to the extent of the amount so received without any interest thereon, and the Trustee, the Issuer and the paying agents shall have no responsibility with respect to such moneys.

Section 7.04. Satisfaction of the Deed of Trust. At such time as all of the outstanding Bonds shall have been fully paid or provision made therefor in accordance with the provisions of this Indenture, whichever shall first occur, and the fees and expenses of the Trustee and any paying agents and all other amounts payable by the Company under the Agreement and the Note shall have been paid, the Trustee shall cause the execution and delivery to the Company of such documents as shall be necessary to effect or evidence the satisfaction, discharge end cancellation of the Deed of Trust.

ARTICLE VIII

DEFAULTS AND REMEDIES

Section 8.01. Events of Default. An "Event of Default" is any of the following:

(a) Default in the payment of any interest on any Bond when due and as the same shall become due and payable, which default continues for five days;

(b) Default in the due and punctual payment of principal on any Bond when due and payable, whether at maturity, upon redemption, or by declaration or otherwise;

(c) Default in the due and punctual payment of the purchase price of any Bond required to be purchased in accordance with its terms; or

(d) An event of default has occurred and is continuing under the Agreement.

Section 8.02. Acceleration. Upon the occurrence of an Event of Default the Trustee may, and upon the written request of the holders of not less than 25% in aggregate principal amount of Bonds then outstanding shall, by notice in writing delivered to the Issuer and the Company, declare the principal of all Bonds then outstanding and the interest accrued thereon immediately due and payable; and such principal and interest shall thereupon become and be immediately due and payable.

If after the principal of the Bonds and the accrued interest thereon have been so declared to be due and payable, all arrears of interest and interest on overdue installments of interest (if lawful) and the principal and premium, if any, on all Bonds then outstanding which shall have become due and payable otherwise than by acceleration and all other sums payable under this Indenture or upon the Bonds, except the principal of, and interest on, the Bonds which by such declaration shall have become due and payable, are paid by the Issuer, and the Issuer also performs all other things in respect of which it may have been in default hereunder and pays the reasonable charges of the Trustee, the Bondholders and any trustee appointed under law, including the Trustee's reasonable attorneys' fees, then, and in every such case, the Trustee shall annul such declaration and its consequences, and such annulment shall be binding upon all holders of Bonds issued hereunder; but no such annulment shall extend to or affect any subsequent default or impair any right or remedy consequent thereon. The Trustee shall forward a copy of any such annulment notice pursuant to this paragraph to the Issuer and the Company.

Section 8.03. Other Remedies. If an Event of Default occurs and is continuing, subject to Section 8.06, the Trustee, before or after declaring the principal of the Bonds and the interest accrued thereon immediately due and payable, may, and upon request of the holders of at least 25% in principal amount of the Bonds then outstanding shall, pursue any available remedy by proceeding at law or in equity available to the Trustee under the Agreement, the Note to collect the principal of or interest on the Bonds or to enforce the performance of any provision of the Bonds, the Note, this Indenture, the Deed of Trust or the Agreement.

The Trustee, as the assignee of all the right, title and interest of the Issuer in and to the Agreement and the Note, may enforce each and every right granted to the Issuer under the Agreement and the Note. In exercising such rights and the rights given the Trustee under this Article VIII, the Trustee shall take such action as, in the judgment of the Trustee applying the standards described in Section 9.01(a) hereof, would best serve the interests of the Bondholders.

Section 8.04. Legal Proceeding by Trustee. If any Event of Default has occurred and is continuing, the Trustee in its discretion may, and upon the written request of the holders of not less than 25% in principal amount of all Bonds then outstanding and receipt of indemnity to its satisfaction shall, in its own name:

(a) by mandamus, or other suit, action or proceeding at law or in equity, enforce all rights of the Bondholders, including the right, subject to Section 12.10 hereof, to require the Issuer to enforce any rights under the Agreement and to require the Issuer to carry out any other provisions of this Indenture for the benefit of the Bondholder and to perform its duties under the Act;

(b) bring suit upon the Bonds;

(c) by action or suit in equity require the Issuer to account as if it were the trustee of an express trust for the Bondholders; or

(d) by action or suit in equity enjoin any acts or things which may be unlawful or in violation of the rights of the Bondholders.

No remedy conferred upon or reserved to the Trustee or to the Bondholders by the terms of this Indenture is intended to be exclusive of any other remedy, but each and every such remedy shall be cumulative and shall be in addition to any other remedy given to the Trustee or to the Bondholders hereunder or now or hereafter existing at law or in equity or by statute.

No delay or omission to exercise any right or power accruing upon any default or Event of Default shall impair any such right or power or shall be construed to be a waiver of any such default or Event of Default or acquiescence therein; and every such right and power may be exercised from time to time as often as may be deemed expedient.

No waiver of any default or Event of Default hereunder, whether by the Trustee or by the Bondholders, shall extend to or shall affect any subsequent default or event of default or shall impair any rights or remedies consequent thereon.

Section 8.05. Appointment of Receivers. Upon the occurrence and continuance of an Event of Default, and upon the filing of a suit or other commencement of judicial proceedings to enforce the rights of the Trustee and of the Bondholders under this Indenture, the Trustee shall be entitled as a matter of right to the appointment of a receiver or receivers of the trust estate with such powers as the court making such appointment shall confer.

Section 8.06. Waiver of Past Defaults. The holders of a majority in principal amount of the Bonds then outstanding by notice to the Trustee may waive an existing Event of Default and its consequences. When an Event of Default is waived, it is cured and stops continuing, but no such waiver shall extend to any subsequent or other Event of Default or impair any right consequent to it.

Section 8.07. Control by Majority. The holders of a majority in principal amount of the Bonds then outstanding may direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or of exercising any trust or power conferred on it. However, the Trustee may refuse to follow any direction that conflicts with law or this Indenture or, subject to Section 9.01, that the Trustee determines is unduly prejudicial to the rights of other Bondholders, or would involve the Trustee in personal liability.

Section 8.08. Limitation on Suits. A Bondholder may not pursue any remedy with respect to this Indenture or the Bonds unless (a) the holder gives the Trustee notice stating that an Event of Default is continuing, (b) the holders of at least 25% in principal amount of the Bonds then outstanding make a written request to the Trustee to pursue the remedy, (c) such holder or holders offer to the Trustee indemnity satisfactory to the Trustee against any loss, liability or expense and (d) the Trustee does not comply with the request within 60 days after receipt of the request and the offer of indemnity; it being understood and intended that no one or more holders of the Bonds shall have any right in any manner whatsoever to affect, disturb or prejudice the lien of this Indenture by its, his or their action or to enforce any right hereunder except in the manner herein provided, and that all proceedings at law or in equity shall be instituted, had and maintained in the manner herein provided and for the equal and ratable benefit of the holders of all Bonds then outstanding. Nothing in the Indenture contained shall, however, affect or impair the right of any Bondholder to enforce the payment of the principal of and premium, if any, and interest on any Bond at and after the maturity thereof, or the obligation of the Issuer to pay the principal of and premium, if any, and interest on each of the Bonds issued hereunder to the respective holders thereof at the time and place, from the source and in the manner in the Bonds expressed.

A Bondholder may not use this Indenture to prejudice the rights of another Bondholder or to obtain a preference or priority over the other Bondholders.

Section 8.09. Rights of Holders to Receive Payment. Notwithstanding any other provision of this Indenture, the right of any holder to receive payment of principal of and interest on a Bond, on or after the due dates expressed in the Bond, or the purchase price of a Bond on or after the date for its purchase as provided in the Bond, or to bring suit for the enforcement of any such payment on or after such dates, shall not be impaired or affected without the consent of the holder.

Section 8.10. Collection Suit by Trustee. If an Event of Default under Section 8.01(a), (b) or (c) occurs and is continuing, the Trustee may recover judgment in its own name and as trustee of an express trust against the Company for the whole amount remaining unpaid.

Section 8.11. Trustee May File Proofs of Claim. The Trustee may file such proofs of claim and other papers or documents as may be necessary or advisable in order to have the claims of the Trustee and the Bondholders allowed in any judicial proceedings relative to the Company, its creditors or its property and, unless prohibited by law or applicable regulations, may vote on behalf of the holders in any election of a trustee in bankruptcy or other person performing similar functions. In the event of a bankruptcy or reorganization of the Company, the Trustee may file a proof of claim on behalf of all Bondholders with respect to the obligations of the Company pursuant to the Agreement and the Note.

Section 8.12. Priorities. If the Trustee collects any money pursuant to this Article, it shall pay out the money in the following order:

FIRST: To the Trustee for amounts to which it is entitled under Section 9.02

SECOND: To Bondholders for amounts due and unpaid on the Bonds for principal and interest, ratably, without preference or priority of any kind, according to the amounts due and payable on the Bonds for principal and interest, respectively.

THIRD: To the Issuer for any amounts due and unpaid to it by the Company under the Agreement.

FOURTH: To the Company.

The Trustee may fix a payment date for any payment to the Bondholders.

Section 8.13. Undertaking for Costs. In any suit for the enforcement of any right or remedy under this Indenture or in any suit against the Trustee for any action taken or omitted by it as Trustee, a court in its discretion may require the filing by any party litigant (other than the Issuer) in the suit of an undertaking to pay the costs of the suit, and the court in its discretion may assess reasonable costs, including reasonable attorneys' fees, against any party litigant in the suit, having due regard to the merits and good faith of the claims or defenses made by the party litigant. This Section does not apply to a suit by the Trustee, a suit by a holder pursuant to Section 8.07 or a suit by holders of more than 10% in principal amount of the Bonds then outstanding.

ARTICLE IX

TRUSTEE AND REMARKETING AGENT

Section 9.01. Acceptance of the Trusts. The Trustee hereby accepts the trusts imposed upon it by this Indenture, and agrees to perform said trusts, but only upon and subject to the following express terms and conditions:

(a) The Trustee, prior to the occurrence of any Event of Default and after the curing or waiver of all Events of Default which may have occurred, undertakes to

perform such duties and only such duties as are specifically set forth in this Indenture. In case an Event of Default has occurred (which has not been cured or waived) the Trustee shall exercise such of the rights and powers vested in it by this Indenture, and use the same degree of care and skill in their exercise, as a prudent corporate trustee would exercise or use under the circumstances in the enforcement of a corporate indenture.

(b) The Trustee may execute any of the trusts or powers hereof and perform any of its duties by or through attorneys, agents, receivers or employees selected by it with reasonable care and the Trustee shall not be responsible for the conduct of such attorneys, agents, receivers or employees, if selected with reasonable care, and shall be entitled to advice of counsel concerning all matters relating to the trusts hereof and the duties hereunder, and may in all cases pay such reasonable compensation to all such attorneys, agents, receivers and employees as may reasonably be employed in connection with the trusts hereof. The Trustee may act upon the opinion or advice of any attorney (who may be the attorney or attorneys for the Issuer or the Company), approved by the Trustee in the exercise of reasonable care. The Trustee shall not be responsible for any loss or damage resulting from any action or inaction in good faith in reliance upon such opinion or advice.

(c) The Trustee shall not be responsible for any recital herein, or in the Bonds (except in respect to the certificate of the Trustee endorsed on the Bonds), or for the recording or re-recording, filing or re-filing of this Indenture, or any other instrument required by this Indenture to secure the Bonds, or for insuring the Project or collecting any insurance moneys, or for validity of the execution by the Issuer of this Indenture or of any supplements hereto or instruments of further assurance, or for the sufficiency of the security for the Bonds issued hereunder or intended to be secured hereby.

(d) The Trustee shall not be accountable for the use of any Bonds authenticated or delivered hereunder. The Trustee may become the owner of Bonds secured hereby with the same rights which it would have if not the Trustee. To the extent permitted by law, the Trustee may also receive tenders and purchase in good faith Bonds from itself, including any department, affiliate or subsidiary with like effect as if it were not the Trustee.

(e) The Trustee shall be protected in acting upon any notice, request, consent, certificate, order, affidavit, letter, telegram or other paper or document believed by it to be genuine and correct and to have been signed or sent by the proper person or persons. Any action taken by the Trustee pursuant to this Indenture upon the request or authority or consent of any person who at the time of making such request or giving such authority or consent is the owner of any Bond, shall be conclusive and binding upon all future owners of the same Bond and upon owners of Bonds issued in exchange therefor or in place thereof.

(f) As to the existence or non-existence of any fact or as to the sufficiency or validity of any instrument, paper or proceeding, the Trustee shall be entitled to rely upon a certificate signed by the Issuer or the Company as sufficient evidence of the facts

therein contained; and prior to the occurrence of a default of which the Trustee has been notified as provided in subsection (h) of this Section 9.01, or of which by said subsection it is deemed to have notice, the Trustee shall also be at liberty to accept a similar certificate to the effect that any particular dealing, transaction or action is necessary or expedient, but may at its discretion secure such further evidence deemed necessary or advisable, but shall in no case be bound to secure the same. The Trustee may accept a certificate of the Clerk or Deputy Clerk of the Issuer under the Issuer's seal to the effect that a resolution in the form therein set forth has been adopted by the Issuer as conclusive evidence that such resolution has been duly adopted, and is in full force and effect.

(g) The permissive right of the Trustee to do things enumerated in this Indenture shall not be construed as a duty, and it shall not be answerable for other than its negligence or willful default.

(h) The Trustee shall not be required to take notice or be deemed to have notice of any Event of Default hereunder except failure by the Issuer to cause to be made any of the payments to the Trustee required to be made by Article IV hereof, unless the Trustee shall be specifically notified in writing of such Event of Default by the Issuer or by the holders of at least 25% in aggregate principal amount of Bonds then outstanding; and all notices or other instruments required by this Indenture to be delivered to the Trustee must, in order to be effective, be delivered at the principal corporate trust office of the Trustee, and in the absence of such notice so delivered the Trustee may conclusively assume there is no default except as aforesaid.

(i) At any and all reasonable times the Trustee and its duly authorized agents, attorneys, experts, engineers, accountants and representatives shall have the right fully to inspect any and all parts of the Project, including all books, papers and records of the Issuer pertaining to the Project and the Bonds and to take such memoranda from and in regard thereto as may be desired.

(j) The Trustee shall not be required to give any bond or surety in respect of the execution of the said trusts and powers or otherwise in respect of the premises.

(k) Notwithstanding anything elsewhere in this Indenture contained, the Trustee shall have the right, but shall not be required, to demand, in respect of the authentication of any Bonds, the withdrawal of any cash, the release of any property, or any action whatsoever within the purview of this Indenture, any showings, certificates, opinions, appraisals or other information, or corporate action or evidence thereof, in addition to that by the terms hereof required as a condition of such action by the Trustee, which the Trustee in its discretion may deem desirable for the purpose of establishing the right of the Issuer to the authentication of any Bonds, the withdrawal of any cash, or the taking of any other action by the Trustee.

(l) Before taking any action referred to in Section 8.02, 8.03, 8.04, 8.05, 8.07, 8.08, 8.09, 8.10, 8.11 or 9.04 hereunder, the Trustee may require that satisfactory indemnity be furnished for the reimbursement of all expenses to which it may be put and

to protect it against all liability, except liability which is adjudicated to have resulted from its negligence or willful default by reason of any action so taken.

(m) All moneys received by the Trustee or any paying agent shall, until used or applied or invested as herein provided, be held in trust for the purposes for which they were received but need not be segregated from other funds except to the extent required herein or by law. Neither the Trustee nor any paying agent shall be under any liability for interest on any moneys received hereunder except such as may be mutually agreed upon.

(n) No provision of the Indenture shall require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder, or in the exercise of any of its rights or powers.

Section 9.02. Fees, Charges and Expenses of Trustee. The Trustee shall be entitled to payment and reimbursement for reasonable fees for its services rendered hereunder and all advances, counsel fees (including counsel fees incurred in any bankruptcy proceeding) and other expenses reasonably and necessarily made or incurred by the Trustee in connection with such services. Upon an Event of Default, but only upon an Event of Default, the Trustee shall have a first lien, with right of payment prior to payment on account of principal of and premium, if any, and interest on any Bond, upon the trust estate for the foregoing fees, charges and expenses incurred by it.

Section 9.03. Notice to Bondholders if an Event of Default Occurs. If an Event of Default occurs of which the Trustee is by Section 9.01(h) hereof required to take notice or if notice of an Event of Default be given as in Section 9.01(h) provided, then the Trustee shall promptly give written notice thereof by registered or certified mail to each owner of Bonds then outstanding.

Section 9.04. Intervention by Trustee. In any judicial proceeding to which the Issuer is a party and which in the opinion of the Trustee and its counsel has a substantial bearing on the interests of the owners of the Bonds, the Trustee may intervene on behalf of the Bondholders and shall do so if requested in writing by the owners of at least 25% of the aggregate principal amount of Bonds then outstanding. The rights and obligations of the Trustee under this Section 9.04 are subject to the approval of a court of competent jurisdiction.

Section 9.05. Successor Trustee. Any corporation or association into which the Trustee may be converted or merged, or with which it may be consolidated, or to which it may sell or transfer its corporate trust business and assets as a whole or substantially as a whole or any corporation or association resulting from any such conversion, sale, merger, consolidation or transfer to which it is a party, ipso facto, shall be and become successor Trustee hereunder and vested with all of the title to the trust estate and all the trusts, powers, discretions, immunities, privileges and all other matters as was its predecessor, without the execution or filing of any instrument or any further act, deed or conveyance on the part of any of the parties hereto, anything herein to the contrary notwithstanding.

Section 9.06. Resignation by Trustee. The Trustee and any successor Trustee may at any time resign from the trusts hereby created by giving thirty days' written notice to the Issuer and the Company, served personally or sent by registered or certified mail, and to each owner of Bonds then outstanding, sent by registered or certified mail, and such resignation shall take effect at the end of such thirty days, or upon the earlier appointment of a successor Trustee pursuant to Section 9.08 hereof.

Section 9.07. Removal of Trustee. The Trustee may be removed at any time, by an instrument or concurrent instruments in writing delivered to the Trustee and to the Issuer and the Company, and signed by the owners of a majority in aggregate principal amount of Bonds then outstanding.

Section 9.08. Appointment of Successor Trustee. In case the Trustee hereunder shall resign or be removed, or be dissolved, or shall be in course of dissolution or liquidation, or otherwise become incapable of acting hereunder, or in case it shall be taken under the control of any public officer or officers, or of a receiver appointed by a court, a successor shall be appointed by the Issuer at the direction of the Company. The Issuer shall cause notice of such appointment to be given in the same manner as the giving of notices of redemption as set forth in Section 3.04 hereof. If the Issuer fails to make such appointment promptly, a successor may be appointed by the owners of a majority in aggregate principal amount of Bonds then outstanding. Every such successor Trustee appointed pursuant to the provisions of this Section 9.08 shall be a trust company or bank in good standing having a reported capital, surplus and undivided profits of not less than $25,000,000, if there be such an institution willing, qualified and able to accept the trusts upon reasonable and customary terms.

Section 9.09. Concerning Any Successor Trustee. Every successor Trustee appointed hereunder shall execute, acknowledge and deliver to its predecessor and also to the Issuer an instrument in writing accepting such appointment hereunder, and thereupon such successor, without any further act, deed or conveyance, shall become fully vested with all of the estates, properties, rights, powers, trusts, duties and obligations of its predecessor; but such predecessor shall, nevertheless, on the written request of the Issuer, or of its successor, execute and deliver an instrument transferring to such successor Trustee all the estates, properties, rights, powers and trusts of such predecessor hereunder, and every predecessor Trustee shall deliver all securities and moneys held by it as Trustee hereunder to its successor. Should any instrument in writing from the Issuer be required by any successor Trustee for more fully and certainly vesting in such successor the estate, rights, powers and duties hereby vested or intended to be vested in the predecessor, any and all such instruments in writing shall, on request, be executed, acknowledged and delivered by the Issuer. The resignation of any Trustee and the instrument or instruments removing any Trustee and appointing a successor hereunder, together with all other instruments provided for in this Article IX, shall be filed and/or recorded by the successor Trustee in each recording office where the Indenture shall have been filed and/or recorded and the successor Trustee shall bear the cost thereof.

Section 9.10. Successor Trustee as Bond Registrar and Paying Agent. In the event of a change of Trustee, the Trustee which has resigned or been removed shall cease to be bond

registrar and a paying agent for principal of and premium, if any, and interest on the Bonds, and the successor Trustee shall become such bond registrar and a paying agent.

Section 9.11. Trustee and Issuer Required to Accept Directions and Actions of Company. Whenever, after a reasonable request by the Company, the Issuer shall fail, refuse or neglect to give any direction to the Trustee or to require the Trustee to take any action which the Issuer is required to have the Trustee take pursuant to the provisions of the Agreement or this Indenture, the Company may give any such direction to the Trustee or require the Trustee to take any such action, and the Trustee is hereby irrevocably empowered and directed to accept such direction from the Company as sufficient for all purposes of this Indenture. The Company shall have the right to cause the Trustee to comply with any of the Trustee's obligations under this Indenture to the same extent that the Issuer is empowered so to do.

Certain actions or failures to act by the Issuer under this Indenture may create or result in an Event of Default under this Indenture and the Company may to the extent permitted by law, perform any and all acts or take such action as may be necessary for and on behalf of the Issuer to prevent or correct said Event of Default and the Trustee shall take or accept such performance by the Company as performance by the Issuer in such event.

The Issuer hereby makes, constitutes and appoints the Company irrevocably as its agent to give all directions, do all things and perform all acts provided, and to the extent so provided, by this Section 9.11.

Section 9.12. No Transfer of Note or the Deed of Trust Held by the Trustee; Exception. Except as required to effect an assignment to a successor Trustee, the Trustee shall not sell, assign or transfer the Note or the Deed of Trust and the Trustee is authorized to enter into an agreement with the Company to such effect.

Section 9.13. Filing of Certain Continuation Statements. From time to time, the Trustee shall duly file, or cause to be filed, at the expense of the Company, continuation statements for the purpose of continuing without lapse the effectiveness of the filing of the financing statements with respect to the security interest created by this Indenture in the Agreement and the Note, at or prior to the issuance of the Bonds and any previously filed continuation statements which shall have been filed as herein required. The Issuer shall sign and deliver to the Trustee or its designee such continuation statements as may be requested of it from time to time by the Trustee. Upon the filing of any such continuation statements the Trustee shall immediately notify the Issuer and the Company that the same has been accomplished.

Section 9.14 Duties of Remarketing Agent. The Remarketing Agent will set the interest rates on the Bonds and perform the other duties provided for in Section 2.02 and will remarket the Bonds as provided in Section 3.08, subject to any provisions of a remarketing agreement between the Company and the Remarketing Agent. The Remarketing Agent may for its own account or as broker or agent for others deal in Bonds and may do anything any other Bondholder may do to the same extent as if the Remarketing Agent were not serving as such.

Section 9.15 Eligibility of Remarketing Agent The initial Remarketing Agent appointed under this Indenture is SunTrust Bank, Atlanta. The Remarketing Agent will be a bank, trust company or member of the National Association of Securities Dealers, Inc. organized and doing business under the laws of the United States or any state or the District of Columbia, will have a combined capital stock, surplus and undivided profits of at least $15,000,000 as shown in its most recent published annual report, will be a Participant in the Securities Depository and will be authorized by law to perform all the duties imposed upon it by this Indenture. Any successor Remarketing Agent shall be rated at least Baa3/P-3 or otherwise qualified by Moody's Investors Service, Inc. or have an equivalent rating of another rating agency.

Section 9.16 Replacement of Remarketing Agent. The Remarketing Agent may resign by notifying the Issuer, Trustee and Company. Such resignation will take effect on the day a successor Remarketing Agent appointed in accordance with this Section has accepted the appointment or, if no successor has so accepted, 30 days after notice of resignation has been sent. The Company may remove the Remarketing Agent at any time by an instrument signed by the Company and filed with the Remarketing Agent, the Issuer and the Trustee at least 30 days prior to the effective date of such removal (which will not in any event occur prior to the appointment of a successor Remarketing Agent). A new Remarketing Agent may be appointed by the Company upon the resignation or removal of the Remarketing Agent. The Trustee shall promptly notify the Bondholders of any change in the Remarketing Agent.

Section 9.17. Compensation of Remarketing Agent. The Remarketing Agent will not be entitled to any compensation from the Issuer, the Trustee or any property held under this Indenture but must make separate arrangements with the Company for compensation.

Section 9.18. Successor Remarketing Agent. If the Remarketing Agent consolidates with, merges or converts into, or transfers all or substantially all its assets (or, in the case of a bank or trust company, its corporate trust assets) to another corporation, the resulting, surviving or transferee corporation without any further act shall be the successor Remarketing Agent, provided that such successor shall be eligible under the applicable provisions in this Article.

ARTICLE X

AMENDMENTS OF AND SUPPLEMENTS TO INDENTURE

Section 10.01. Without Consent of Bondholders. The Issuer and the Trustee may amend or supplement this Indenture or the Bonds without notice to or consent of any Bondholder:

(a) to cure any ambiguity, inconsistency or formal defect or omission,

(b) to grant to the Trustee for the benefit of the Bondholders additional rights, remedies, powers or authority,

(c) to subject to this Indenture additional collateral or to add other agreements of the Issuer,

(d) to modify this Indenture or the Bonds to permit qualification under the Trust Indenture Act of 1939, as amended, or any similar federal statute at the time in effect, or to permit the qualification of the Bonds for sale under the securities laws of any state of the United States,

(e) to authorize different authorized denominations of the Bonds and to make correlative amendments and modifications to this Indenture regarding exchangeability of Bonds of different authorized denominations, redemptions of portions of Bonds of particular authorized denominations and similar amendments and modifications of a technical nature,

(f) to increase or decrease the number of days specified for the giving of notices in Section 2.02 and to make corresponding changes to the period for notice of redemption of the Bonds; provided that no decreases in any such number of days shall become effective except while the Bonds bear interest at a Daily Rate or a Weekly Rate and until 30 days after the Trustee has given notice to the owners of the Bonds,

(g) to provide for an uncertificated system of registering the Bonds or to provide for the change to or from a Book-Entry System for the Bonds,

(h) to evidence the succession of a new Trustee or the appointment by the Trustee or the Issuer of a co-trustee, or

(i) to make any change (including a change in Section 4.01 to reflect any amendment to the Code or interpretations by the Internal Revenue Service of the Code) that does not materially adversely affect the rights of any Bondholder.

Section 10.02. With Consent of Bondholders. If an amendment of or supplement to this Indenture or the Bonds without any consent of Bondholders is not permitted by the preceding Section, the Issuer and the Trustee may enter into such amendment or supplement without prior notice to any Bondholders but with the consent of the holders of at least a majority in aggregate principal amount of the Bonds then outstanding. However, without the consent of each Bondholder affected, no amendment or supplement may (a) extend the maturity of the principal of, or interest on, any Bond, (b) reduce the principal amount of, or rate of interest on, any Bond, (c) effect a privilege or priority of any Bond or Bonds over any other Bond or Bonds, (d) reduce the percentage of the principal amount of the Bonds required for consent to such amendment or supplement, (e) impair the exclusion from federal gross income of interest on any Bond, (f) eliminate the holders' rights to tender the Bonds, or any mandatory redemption of the Bonds, extend the due date for the purchase of Bonds tendered by the holders thereof or call for mandatory redemption or reduce the purchase or redemption price of such Bonds, (g) create a lien ranking prior to or on a parity with the lien of this Indenture on the property described in the Granting Clause of this Indenture or (h) deprive any Bondholder of the lien created by this Indenture on such property. In addition, if moneys or Government Obligations have been

deposited or set aside with the Trustee pursuant to Article VII for the payment of Bonds and those Bonds shall not have in fact been actually paid in full, no amendment to the provisions of that Article shall be made without the consent of the holder of each of those Bonds affected.

Section 10.03. Effect of Consents. Any consent received pursuant to Section 10.02 will bind each Bondholder delivering such consent and each subsequent holder of a Bond or portion of a Bond evidencing the same debt as the consenting holder's Bond.

Section 10.04. Notation on or Exchange of Bonds. If an amendment or supplement changes the terms of a Bond, the Trustee may require the holder to deliver it to the Trustee. The Trustee may place an appropriate notation on the Bond about the changed terms and return it to the holder. Alternatively, if the Trustee, the Issuer and the Company determine, the Issuer in exchange for the Bond will issue and the Trustee will authenticate a new Bond that reflects the changed terms.

Section 10.05. Signing by Trustee of Amendments and Supplements. The Trustee will sign any amendment or supplement to the Indenture or the Bonds authorized by this Article if the amendment or supplement does not adversely affect the rights, duties, liabilities or immunities of the Trustee. If it does, the Trustee may, but need not, sign it. In signing an amendment or supplement, the Trustee will be entitled to receive and (subject to Section 9.01) will be fully protected in relying on an Opinion of Counsel stating that such amendment or supplement is authorized by this Indenture.

Section 10.06. Company Consent Required. An amendment or supplement to this Indenture or the Bonds shall not become effective unless the Company delivers to the Trustee its written consent to the amendment or supplement.

Section 10.07. Notice to Bondholders. The Trustee shall cause notice of the execution of each supplement or amendment to this Indenture or the Agreement to be mailed to the Bondholders. The notice will at the option of the Trustee, either (i) briefly state the nature of the amendment or supplement and that copies of it are on file with the Trustee for inspection by Bondholders or (ii) enclose a copy of such amendment or supplement.

ARTICLE XI

AMENDMENTS OF AND SUPPLEMENTS TO THE AGREEMENT

Section 11.01. Without Consent of Bondholders. The Issuer may enter into, and the Trustee may consent to, any amendment of or supplement to the Agreement or the Note, or may waive compliance by the Company of any provision of the Agreement or the Note, in each case without notice to or consent of any Bondholder, if the amendment, supplement or waiver is required or permitted (a) by the provisions of the Agreement or this Indenture, (b) to cure any ambiguity, inconsistency or formal defect or omission, (c) to identify more precisely the Project, (d) in connection with any authorized amendment of or supplement to this Indenture or (e) to

make any change that in the judgment of the Trustee does not materially adversely affect the rights of any Bondholder.

Section 11.02. With Consent of Bondholders. If an amendment of or supplement to the Agreement or the Note without any consent of Bondholders is not permitted by the foregoing Section, the Issuer may enter into, and/or the Trustee may consent to (as the case may be), such amendment or supplement, or may waive compliance by the Company of any provision of the Agreement, without notice to any Bondholder but with the consent of the holders of at least a majority in aggregate principal amount of the Bonds then outstanding. However, without the consent of each Bondholder affected thereby, no amendment, supplement or waiver may result in anything described in the lettered clauses of Section 10.02.

Section 11.03. Consents by Trustee to Amendments or Supplements. The Trustee will consent to any amendment or supplement to the Agreement or the Note authorized by this Article if the amendment or supplement does not adversely affect the rights, duties, liabilities or immunities of the Trustee. If it does, the Trustee may, but need not, sign it. In signing a consent to an amendment or supplement, the Trustee shall be entitled to receive and (subject to Section 9.01) shall be fully protected in relying on an Opinion of Counsel stating that such amendment or supplement is authorized or permitted by this Indenture.

ARTICLE XII

MISCELLANEOUS

Section 12.01. Notices. (a) Any notice, request, direction, designation, consent, acknowledgment, certification, appointment, waiver or other communication required or permitted by this Indenture or the Bonds must be in writing except as expressly provided otherwise in this Indenture or the Bonds.

(b) Any notice or other communication shall be sufficiently given and deemed given when delivered by hand or mailed by first-class mail, postage prepaid, addressed as follows: if to the Issuer, to the Chairman of the Board of Commissioners, Jackson County Administration Building, Marianna, Florida 32446; if to the Trustee, to First Union National Bank, at 225 Water Street, 3rd Floor, Jacksonville, Florida 32202, Attention: Corporate Trust Department; if to the Company, at 500 Bayfront Parkway, Pensacola, Florida 32501, Attention: Treasurer, with copies to Southern Company Services, Inc., 270 Peachtree Street, N.W., Atlanta, Georgia 30303, Attention: Corporate Finance Department; and if to the Remarketing Agent, to SunTrust Bank, Atlanta, 303 Peachtree Street, 23rd Floor, Atlanta, Georgia 30308, Attention: Municipal Desk. Any addressee may designate additional or different addresses for purposes of this Section.

Section 12.02. Bondholders' Consents. Any consent or other instrument required by this Indenture to be signed by Bondholders may be in any number of concurrent documents and may be signed by a Bondholder or by the holder's agent appointed in writing. Proof of the execution of such instrument or of the instrument appointing an agent and of the ownership of

Bonds, if made in the following manner, shall be conclusive for any purposes of this Indenture with regard to any action taken by the Trustee under the instrument:

(a) The fact and date of a person's signing an instrument may be proved by the certificate of any officer in any jurisdiction who by law has power to take acknowledgments within that jurisdiction that the person signing the writing acknowledged before the officer the execution of the writing, or by an affidavit of any witness to the signing.

(b) The fact of ownership of Bonds, the amount or amounts, numbers and other identification of such Bonds and the date of holding shall be proved by the registration books kept pursuant to this Indenture.

In determining whether the holders of the required principal amount of Bonds outstanding have taken any action under this Indenture, Bonds owned by the Company or any person controlling, controlled by or under common control with the Company shall be disregarded and deemed not to be outstanding. In determining whether the Trustee shall be protected in relying on any such action, only Bonds which the Trustee knows to be so owned shall be disregarded.

Any consent or other instrument shall be irrevocable and shall bind any subsequent owner of such Bond or any Bond delivered in substitution therefor.

Section 12.03. Appointment of Separate Paying Agent and/or Tender Agent. If, at any time, the Securities Depository ceases to hold the Bonds, with the effect that the Bonds are no longer subject to the Book-Entry System, then the Issuer and the Trustee, acting at the request of the Company, may appoint one or more banks or trust companies to act as paying agent and/or tender agent for the Bonds hereunder. Any such paying agent or tender agent shall be a bank or trust company organized under the laws of the United States of America or any state thereof, shall have a reported capital and surplus of at least $100,000,000 and a corporate trust office located in New York, New York at which Bonds may be presented for payment or purchase and shall perform such duties and responsibilities as may be delegated to it hereunder. If such a paying agent or tender agent is appointed, then all references herein to the "Trustee" shall include such paying agent or tender agent to the extent of the duties performed by such entity.

Section 12.04. Limitation of Rights. Nothing expressed or implied in this Indenture or the Bonds shall give any person other than the Trustee, Issuer, Company, Remarketing Agent and the Bondholders any right, remedy or claim under or with respect to this Indenture.

Section 12.05. Severability. If any provision of this Indenture shall be held or deemed to be or shall, in fact, be illegal, inoperative or unenforceable, the same shall not affect any other provision or provisions herein contained or render the same invalid, inoperative or unenforceable to any extent whatsoever.

Section 12.06. Payments Due on Non-Business Days. If a payment date is not a Business Day at the place of payment, then payment may be made at that place on the next Business Day, and no interest shall accrue for the intervening period

Section 12.07. Governing Law. This Indenture shall be governed exclusively by and construed in accordance with the applicable laws of the State.

Section 12.08. Captions. The captions in this Indenture are for convenience only and do not define or limit the scope or intent of any provisions or Sections of this Indenture.

Section 12.09. No Liability of Officers. No covenant or agreement contained in the Bonds or this Indenture shall be deemed to be a covenant or agreement of any commissioner, agent or employee of the Issuer in his individual capacity, and neither the officers of the Issuer nor any official executing the Bonds or this Indenture shall be liable personally on the Bonds or be subject to any personal liability or accountability by reason of the issuance of the Bonds or the execution, delivery and performance of this Indenture.

Section 12.10. Limitation upon Responsibility of the Issuer. (a) Notwithstanding anything to the contrary contained herein or in any of the Bonds, the Agreement or in any other instrument or document executed by or on behalf of the Issuer in connection herewith, (i) the Issuer shall have no obligation to take action under this Indenture, the Bonds, the Agreement or such other instruments or documents, unless Issuer is reasonably requested in writing by an appropriate person to take such action and is provided with indemnity and assurances reasonably satisfactory to it of payment of or reimbursement for any expenses (including attorneys' fees) in such action, and (ii) any judgment rendered against the Issuer for breach of its obligations hereunder or under the Bonds, the Agreement or such instruments or documents, shall be payable solely from the revenues derived by the Issuer hereunder or under the Agreement or the Note, and no personal liability or charge payable directly or indirectly from the general funds of the Issuer shall arise therefrom.

(b) The Issuer shall not be required to incur any expense with respect to the Project or the Bonds unless requested to do so by the Company, in which event the Company hereby agrees to reimburse the full amount of such expense to the Issuer, and the Issuer may require payment to it of such amount as a prerequisite to its incurring any such expense.

(c) In acting under this Indenture, the Bonds, the Agreement, the Note or such other instruments or documents, or in refraining from taking such action, the Issuer may conclusively rely on the advice of its counsel.

Section 12.11 Counterparts. This Indenture may be signed in several counterparts Each will be an original, but all of them together constitute the same instrument.

IN WITNESS WHEREOF, Jackson County, Florida has caused these presents to be signed in its name and behalf by the Chairman or Vice Chairman of its Board of County Commissioners, and its official seal to be hereunto affixed and attested by its Clerk or Deputy Clerk, and to evidence its acceptance of the trusts hereby created First Union National Bank, as Trustee, has caused these presents to be signed in its name and behalf and its official seal to be hereunto affixed and attested by its duly authorized officers, all as of the day and year first above written.

[SEAL]

JACKSON COUNTY, FLORIDA

By: _____

Chairman of the Jackson County
Board of County Commissioners

Attest:

_____

Clerk of the Jackson County
Board of County Commissioners

FIRST UNION NATIONAL BANK, as Trustee

[SEAL]

By: _____

Title: Vice President

EXHIBIT C.3.

ESCAMBIA COUNTY, FLORIDA

and

GULF POWER COMPANY

LOAN AGREEMENT

Dated as of July 1, 1997

Relating to

$37,000,000
Pollution Control Revenue Refunding Bonds
(Gulf Power Company Project)
Series 1997

LOAN AGREEMENT

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LOAN AGREEMENT dated as of July 1, 1997 between ESCAMBIA COUNTY, FLORIDA (the "Issuer"), a "local agency" as defined in the Florida Industrial Development Financing Act, being Part II of Chapter 159, Florida Statutes, Sections 159.25 through 159.431 (the "Act"), and a political subdivision of the State of Florida, and GULF POWER COMPANY, a corporation organized and existing under the laws of the State of Maine and qualified and doing business as an electric utility in the State of Florida (the "Company"), evidencing the agreement of the parties hereto.

In consideration of the respective representations and agreements hereinafter contained, the parties hereto agree as follows (provided that in the performance of the agreements of the Issuer herein contained, any obligation it may thereby incur for the payment of money shall not be a general debt, liability or obligation of the Issuer, or of the State of Florida or any political subdivision thereof but shall be payable solely out of the revenues and proceeds derived from this Agreement and the Note (as hereinafter defined) and the sale of the Bonds referred to herein):

ARTICLE I

DEFINITIONS

"Bondholder", "Bonds", "Business Day", "Government Obligations", "Refunded Bonds", "Refunded Bonds Trustees", "Remarketing Agent" and "Trustee" have the same meanings given and assigned to such words in Article I of the Indenture (as hereinafter defined).

"Agreement" means this Loan Agreement and any amendments and supplements hereto.

"Deed of Trust" means the Subordinate Land Deed of Trust dated as of July 1, 1997 between the Company, as grantor, and the Issuer, as beneficiary, providing for the security conveyance of certain property of the Company described therein.

"Event of Default" means any of the occurrences enumerated in Section 5.1 of this Agreement.

"Indenture" means the Trust Indenture dated as of July 1, 1997, relating to Pollution Control Revenue Refunding Bonds (Gulf Power Company Project), Series 1997, between the Issuer and First Union National Bank, as Trustee, pursuant to which the Bonds are authorized to be issued, and including any indenture supplemental thereto.

"Loan" means the loan to be made by the Issuer to the Company of the proceeds (which shall be deemed to include the underwriting discounts, if any, and original issue discount, if any) of the sale of the Bonds, exclusive of any accrued interest paid by the initial purchasers of the Bonds upon the delivery thereof.

"1982 Original Agreement" means the Loan Agreement dated as of August 1, 1982 between the Issuer and the Company, delivered in connection with the issuance of the Issuer's

$32,000,000 Pollution Control Revenue Refunding Bonds (Gulf Power Company Project), Series 1982.

"1982 Plans" has the same meaning given and assigned to the word "Plans" in Article I of the 1982 Original Agreement.

"1982 Project" has the same meaning given and assigned to the word "Project" in Article I of the 1982 Original Agreement.

"1974 Original Agreement" means the Installment Sale Agreement dated as of December 1, 1974 between the Issuer and the Company, delivered in connection with the issuance of the Issuer's $5,000,000 Pollution Control Revenue Bonds (Gulf Power Company Crist Steam Plant Project), Series A.

"1974 Plans" has the same meaning given and assigned to the word "Plans" in Article I of the 1974 Original Agreement.

"1974 Project" has the same meaning given and assigned to the word "Project" in Article I of the 1974 Original Agreement.

"Note" means the non-negotiable promissory note of the Company issued pursuant to Section 3.2 hereof, in the form set forth in Exhibit A hereto.

"Plans" means the 1974 Plans and the 1982 Plans.

"Project" means the 1974 Project and the 1982 Project.

ARTICLE II

ACQUISITION AND COMPLETION OF THE PROJECT; ISSUANCE OF THE BONDS

SECTION 2.1. Acquisition and Completion of the Project. The Company represents that it has caused the acquisition, construction, installation and equipping of the Project to be completed substantially in accordance with the Plans.

SECTION 2.2. Issuance of the Bonds. In order to provide funds for the purpose set forth in Section 3.1 hereof, the Issuer agrees that it will issue and deliver the Bonds to the purchasers thereof at a price of par and apply and deposit the proceeds thereof in accordance with the terms of the Indenture. The Indenture shall be satisfactory in form and substance to the County and the Company and shall provide the manner in which, and the purposes for which, proceeds of Bonds may be used and invested.

ARTICLE III

LOAN BY ISSUER; PROVISIONS FOR PAYMENT

SECTION 3.1. Loan by Issuer. The Issuer hereby agrees to make the Loan to the Company in order to refund the Refunded Bonds. The Company hereby agrees to cause the proceeds of the Bonds to be applied exclusively to such purpose and to cause the redemption of the Refunded Bonds to be effected within 90 days after the date of initial issuance of the Bonds. The Company agrees to pay to each of the Refunded Bonds Trustees the amount in excess of the proceeds of the Bonds needed to pay the redemption price of the Refunded Bonds.

SECTION 3.2. Delivery of Note by Company; Other Amounts Payable. In order to evidence the Loan and the obligation of the Company to repay the same, the Company shall execute and deliver the Note in a principal amount equal to the aggregate principal amount of the Bonds and providing for payments which correspond in time and amount with payments due with respect to the principal or purchase price of, interest and premium, if any, on the Bonds, whether at maturity, prior optional or mandatory redemption, or upon tender for purchase or otherwise. The Note shall be dated the date of the initial authentication of, and mature on the same maturity date as, the Bonds. If (i) on the date any payments on the Bonds are due there are any available moneys on deposit with the Trustee which are not being held for the payment of Bonds due and payable but which have not been presented for payment, or (ii) on any date on which Bonds are required to be purchased pursuant to the Bonds or Article III of the Indenture, there are available moneys on deposit with the Trustee held for the payment of the purchase price which are not being held for the payment of Bonds which have not been presented for payment, then, in each case, such moneys shall be credited against the payment then due under the Note, first in respect of interest and then, to the extent of remaining moneys, in respect of principal.

The Company shall pay all reasonable costs and expenses incurred in connection with the issuance of the Bonds and the execution, delivery and performance of the Agreement, the Indenture and any other documents or instruments related thereto or to the Bonds, to which the Issuer is a party or by which it is bound, including, without limitation, the reasonable fees of the Issuer's financial advisor and bond counsel.

The Company will also pay: (i) the fees, charges and reasonable expenses of the Trustee and any paying agents under the Indenture, such fees, charges and reasonable expenses to be paid directly to the Trustee or paying agents for their respective accounts as and when such fees, charges and reasonable expenses become due and payable, (ii) any expenses in connection with any redemption of the Bonds and (iii) all other amounts due under the terms hereof to the Issuer.

SECTION 3.3. Obligation of the Company Unconditional. The obligation of the Company to make payments as provided in the Note and to perform and observe the other agreements on its part contained herein shall be absolute and unconditional notwithstanding any change in the tax or other laws of the United States of America or of the State of Florida or any political subdivision of either thereof or any failure of the Issuer to perform and observe any agreement, whether express or implied, or any duty, liability or obligation arising out of or connected with this Agreement. Subject in all cases to Section 4.2 hereof, nothing contained in

this Section 3.3 shall be construed to release the Issuer from the performance of any of the agreements on its part herein contained; and, in the event the Issuer should fail to perform any such agreement on its part, the Company may institute such action against the Issuer as the Company may deem necessary to compel performance so long as such action shall not violate the agreements on the part of the Company contained in the preceding sentence, but in no event shall the Company be entitled to any diminution of the amounts payable under the Note and as provided in Section 3.2 hereof.

SECTION 3.4. Assignment and Pledge of Payments and Rights Under the Note, the Deed of Trust and the Agreement. The Issuer shall assign to the Trustee as security under the Indenture all rights, title and interests of the Issuer in and to (i) the Note and all payments thereunder, (ii) the Deed of Trust and (iii) this Agreement and all moneys receivable hereunder (except for payments under Sections 4.2 and 5.3 hereof). The Company assents to such assignment and hereby agrees that, as to the Trustee, its obligations to make such payments shall be absolute and shall not be subject to any defense or any right of set-off, counterclaim or recoupment arising out of any breach by the Issuer or the Trustee of any obligation to the Company, whether hereunder or otherwise, or out of any indebtedness or liability at any time owing to the Company by the Issuer or the Trustee.

ARTICLE IV

SPECIAL COVENANTS

SECTION 4.1. Use of Project. The Issuer hereby acknowledges that it shall have no rights to the use or possession of the Project. The Issuer hereby further acknowledges that the Project will not constitute any part of the security for the Bonds.

SECTION 4.2. Indemnity Against Claims. (a) Notwithstanding anything to the contrary contained herein or in any of the Bonds, the Indenture or in any other instrument or document executed by or on behalf of the Issuer in connection herewith, (i) the Issuer shall have no obligation to take action under this Agreement, the Indenture, the Bonds or such other instruments or documents unless the Issuer is reasonably requested in writing by an appropriate person to take such action and is provided with indemnity and assurances reasonably satisfactory to it of payment of or reimbursement for any expenses (including attorneys' fees) in such action, and (ii) any judgment rendered against the Issuer for breach of its obligations under this Agreement, the Indenture, the Bonds or such other instruments or documents shall be payable solely from the revenues derived from the Project by the Issuer under this Agreement, the Note and the Indenture, and no personal liability or charge payable directly or indirectly from the general funds of the Issuer shall arise therefrom. The provisions of this Section shall survive the termination of this Agreement.

(b) In acting under this Agreement, the Indenture, the Bonds or such other instruments or documents, or in refraining from taking such action, the Issuer may conclusively rely on the advice of its counsel.

(c) The Company will pay and discharge and will indemnify and hold harmless the Issuer from (i) any lien or charge upon payments by the Company to the Issuer under the Note or hereunder, (ii) any taxes, assessments, impositions and other charges upon payments by the Company to the Issuer under the Note or hereunder and (iii) any and all liability, damages, costs and expenses arising out of or resulting from the transactions contemplated by this Agreement and the Indenture, including the reasonable fees and expenses of counsel. If any such lien or charge is sought to be imposed upon payments, or any such taxes, assessments, impositions or other charges are sought to be imposed, or any such liability, damages, costs and expenses are sought to be imposed, the Issuer will give prompt notice to the Company, and the Company shall have the sole right and duty to assume, and will assume, the defense thereof, with full power to litigate, compromise or settle the same in its sole discretion.

SECTION 4.3. The Company to Maintain Its Corporate Existence; Conditions Under Which Exceptions Permitted. The Company agrees that during the term of this Agreement it will maintain its corporate existence and qualification to do business in Florida, will not dissolve or otherwise dispose of all or substantially all of its assets and will not consolidate with or merge into another corporation or permit one or more other corporations to consolidate with or merge into it; provided, that the Company may, without violating the agreements contained in this Section 4.3, consolidate with or merge into another domestic corporation (i.e., a corporation incorporated and existing under the laws of one of the states of the United States of America or under the laws of the United States of America) or permit one or more other corporations to consolidate with or merge into it, or sell or otherwise transfer to another domestic corporation all or substantially all of its assets as an entirety and thereafter dissolve, provided that, in the event the Company is not the surviving, resulting or transferee corporation, as the case may be, the surviving, resulting or transferee corporation assumes, accepts and agrees in writing to pay and perform all of the obligations of the Company herein and under the Note and is a Florida corporation or is qualified to do business in Florida as a foreign corporation and that such consolidation or merger does not result in the loss of the exclusion from gross income for federal income tax purposes of interest on the outstanding Bonds.

SECTION 4.4. Annual Statement. The Company agrees to have an annual audit made by its regular independent public accountants and within 180 days after the close of each fiscal year to furnish the Trustee and any Bondholder who may so request a balance sheet and statement of income and surplus showing the financial condition of the Company and its consolidated subsidiaries, if any, at the close of such fiscal year and the results of operations of the Company and its consolidated subsidiaries, if any, for such fiscal year, accompanied by a certificate or opinion of said accountants. The requirements of this Section 4.4 may be satisfied by the submission to the Trustee and each Bondholder who may request such information of the Company's annual report to its shareholders.

SECTION 4.5. Further Assurances and Corrective Instruments. The Issuer and the Company agree that they will, from time to time, execute, acknowledge and deliver, or cause to be executed, acknowledged and delivered, such supplements hereto and such further instruments as may reasonably be required for correcting any inadequate or incorrect description of the Project and for carrying out the intention or facilitating the performance of this Agreement.

SECTION 4.6. Maintenance of Project by Company. The Company agrees that during the term of this Agreement it will pay all costs of operating, maintaining and repairing the Project; provided, however, that the Company shall not be under any obligation to renew, repair or replace any inadequate, obsolete, worn-out, unsuitable, undesirable or unnecessary portion of the Project.

SECTION 4.7. Redemption or Purchase of Bonds. The Issuer shall take all steps then necessary under the applicable provisions of the Indenture for the redemption or purchase (other than a purchase pursuant to tenders as provided in the form of Bonds or in lieu of redemption as provided in Section 3.07 of the Indenture) of Bonds upon receipt, not less than ten days prior to the day on which the Trustee is required to give notice (if any) thereof pursuant to the Indenture, by the Issuer and the Trustee from the Company of a written notice specifying:

(a) the principal amount of Bonds to be redeemed or purchased;

(b) the date of such redemption or purchase; and

(c) in the case of a redemption of Bonds, directions to mail a notice of redemption.

In the case of a purchase of Bonds, the written notice to the Trustee shall, if available moneys on deposit with the Trustee are insufficient to purchase the principal amount of Bonds specified in (a) above, be accompanied by a deposit with the Trustee of cash or Government Obligations sufficient, together with other available moneys on deposit with the Trustee, to make the directed purchase of Bonds.

SECTION 4.8. Non-Arbitrage Covenant. The Company covenants that it shall take no action, nor shall the Company direct the taking of any action or the making of any investment or use of the proceeds of the Bonds or any other moneys, which would cause the Bonds to be treated as "arbitrage bonds" within the meaning of Section 148 of the Internal Revenue Code of 1986, as amended, and the proposed, temporary or final regulations thereunder as such may be applicable or proposed to be applicable to the Bonds at the time of such action, investment or use.

The Issuer covenants that it shall not knowingly take any action which would cause the Bonds to be treated as "arbitrage bonds" within the meaning of Section 148 of the Internal Revenue Code of 1986, as amended, and the proposed, temporary or final regulations thereunder as such may be applicable to the Bonds or the proceeds derived from the sale of the Bonds or any other moneys; provided, however, that no action taken by the Issuer pursuant to and in accordance with the terms of this Agreement or the Indenture shall give rise in any manner whatsoever to any claim against or liability of the Issuer under this Agreement; and provided further, that any such claims or liabilities shall in all events be subject to the indemnification provisions of Section 4.2.

Without limiting the generality of the foregoing, the Company covenants and agrees to comply with the requirements of Section 148(f) of the Internal Revenue Code of 1986, as

amended, and any proposed, temporary or final regulations thereunder as may be applicable to the Bonds or the proceeds derived from the sale of the Bonds or any other moneys.

SECTION 4.9. No Issuer Liability. Notwithstanding the fact that is the intention of the parties hereto that the Issuer shall not incur any loss, expense or pecuniary liability by reason of the terms of this Agreement or the undertakings required of the Issuer hereunder, by reason of the issuance of the performance of any act requested of the Issuer by the Company, including all claims, liabilities or losses arising in connection with the violation of any statutes or regulation pertaining to the foregoing, if the Issuer should incur any such loss, expense or pecuniary liability, then in such event the Company shall indemnify and hold the Issuer harmless against all claims, demands or causes of action whatsoever, by or on behalf of any person, firm or corporation or other legal entity arising out of the same or out of any offering statement or lack of offering statement or disclosure in connection with the offering, sale or remarketing of the Bonds or out of any determination of taxability of the Bonds or interest thereon and all costs and expenses incurred in connection with any such claim or in connection with any action or proceeding brought thereon, and upon notice from the Issuer, the Company shall defend the Issuer in any such action or proceeding. All references to the Issuer in this Section shall be deemed to include its Board of County Commissioners, Commission Members, officers, employees and agents.

Notwithstanding anything to the contrary contained herein or in any of the Bonds, or the Indenture or in any other instrument or document executed by or on behalf of the Issuer in connection herewith, no stipulation, covenant, agreement or obligation contained herein or therein shall be deemed or construed to be a stipulation, covenant, agreement or obligation of any present or future member, officer, employee or agent of the Issuer, or of any incorporator, member, director, trustee, officer, employee or agent of any successor to the Issuer, in any such person's individual capacity, and no such person, in his individual capacity, shall be liable personally for any breach or non-observance of or for any failure to perform, fulfill or comply with any such stipulations, covenants, agreements or obligations, nor shall any recourse be had for the payment of the principal of, premium, if any, or interest on any of the Bonds or for any claim based thereon or on any such stipulation, covenant, agreement or obligation, against any such person, in his individual capacity, either directly or through the Issuer or any successor to the Issuer, under any rule of law or equity, statute or constitution or by the enforcement of any assessment or penalty or otherwise, and all such liability of any such person, in his individual capacity, is hereby expressly waived and released. The provisions of this Section shall survive the termination of this Agreement.

SECTION 4.10 Post Issuance Audits. The Company agrees to provide such records regarding the Project and the use, investment and application of proceeds of the Bonds as may reasonably be requested by the County to enable the County to determine that the Company has complied with the requirements of this Agreement and the Indenture subsequent to the issuance of the Bonds. Such compliance shall include, but not be limited to, the proper use of the Bonds proceeds for the intended purposes of the Indenture and this Agreement and compliance with any federal arbitrage rebate requirements. The Company agrees to advance all funds necessary to enable the County to engage and pay for such auditors, accountants, financial advisors, counsel or other professionals for purposes of reasonably determining such compliance.

ARTICLE V

EVENTS OF DEFAULT AND REMEDIES

SECTION 5.1. Events of Default. Each of the following shall be an "Event of Default" under this Agreement:

(a) Failure by the Company to pay when due the amounts required to be paid pursuant to the Note which failure, in the case of such amounts in respect of interest on any Bond, continues for five days, or the failure by the Company to pay within 30 days of the date due any other amounts required to be paid pursuant to this Agreement.

(b) Failure by the Company to observe and perform any covenant, condition or agreement on its part to be observed or performed hereunder, other than as referred to in subsection (a) of this Section 5.1, for a period of 90 days after written notice, specifying such failure and requesting that it be remedied, is given to the Company by the Issuer or the Trustee, unless the Issuer and the Trustee shall agree in writing to an extension of such period prior to its expiration; provided, however, if the failure stated in the notice cannot be corrected within the applicable period, the Issuer and the Trustee will not unreasonably withhold their consent to an extension of such period if corrective action is instituted by the Company within the applicable period and diligently pursued until the default is corrected.

(c) The dissolution or liquidation of the Company, except as permitted by Section 4.3 hereof, or the commencement by the Company of any case or proceeding seeking to have an order for relief entered on its behalf as a debtor or to adjudicate it as bankrupt or insolvent or seeking reorganization, liquidation, dissolution, winding-up, arrangement, composition, readjustment of its debts or any other relief under any bankruptcy, insolvency, reorganization or other similar law of the United States or any state, or adjudication of the Company as bankrupt, or an assignment by the Company for the benefit of its creditors, or the entry by the Company into an agreement of composition with its creditors, or the approval by a court of competent jurisdiction of a petition applicable to the Company in any proceeding for its reorganization instituted under the provisions of Title 11 of the United States Code, as amended, or under any similar statutory provision which may hereafter be enacted.

The foregoing provisions of Section 5.1(b) are subject to the limitation that, if by reason of force majeure the Company is unable in whole or in part to carry out its agreements herein contained other than those set forth in Sections 3.2, 4.3 and 4.8 hereof, an Event of Default shall not be deemed to have occurred during the continuance of such inability. The term "force majeure" as used herein shall mean the following: acts of God; strikes; lockouts or other industrial disturbances; acts of public enemies; orders of any kind of the government of the United States or of the State of Florida or any of their departments, agencies or officials or of any civil or military authority; insurrections; riots; epidemics; landslides; lightning; earthquakes; fire;

hurricanes; tornadoes; storms; floods; washouts; droughts; arrests; restraints of government and people; civil disturbances; explosions; breakage or accident to machinery, transmission lines, pipes or canals; partial or entire failure of utilities; or any other cause or event not reasonably within the control of the Company. The Company agrees, however, to remedy to the extent practicable with all reasonable dispatch the effects of any force majeure preventing the Company from carrying out its agreements; provided that the settlement of strikes, lockouts and other industrial disturbances shall be entirely within the discretion of the Company, and the Company shall not be required to make settlement of strikes, lockouts and other industrial disturbances by acceding to the demands of the opposing party or parties when such course is in the judgment of the Company unfavorable to the Company.

SECTION 5.2. Remedies on Default. Whenever any Event of Default shall have occurred and be continuing, the Issuer may, in addition to any other remedy now or hereafter existing at law, in equity or by statute, take either or both of the following remedial steps:

(a) By written notice to the Company, the Issuer may accelerate and declare all amounts payable pursuant to the Note to be immediately due and payable, whereupon the same shall become immediately due and payable;

(b) The Issuer may take whatever action at law or in equity may appear necessary or desirable to collect the amounts referred to in (a) above then due and thereafter to become due, or to enforce performance and observance of any obligation, agreement or covenant of the Company under this Agreement.

Any amounts collected pursuant to action taken under this Section 5.2 shall be deposited with the Trustee and applied in accordance with the provisions of the Indenture or, if the Bonds have been fully paid (or provision for payment thereof has been made in accordance with the provisions of the Indenture) and the fees and expenses of the Trustee and the paying agents and all other amounts required to be paid under the Indenture shall have been paid, to the Company.

SECTION 5.3. Agreement to Pay Attorneys' Fees and Expenses. In the event the Company should breach any of the provisions of the Note or this Agreement and the Issuer should employ attorneys or incur other expenses for the collection of amounts payable hereunder or the enforcement of performance or observance of any obligation or agreement on the part of the Company herein contained, the Company agrees that it will on demand therefor pay to the Issuer the reasonable fees of such attorneys and such other reasonable expenses so incurred by the Issuer.

SECTION 5.4. No Additional Waiver Implied by One Waiver. In the event any agreement contained in the Note or in this Agreement should be breached by either party and thereafter waived by the other party, such waiver shall be limited to the particular breach so waived and shall not be deemed to waive any other breach hereunder.

ARTICLE VI

MISCELLANEOUS

SECTION 6.1. Term of This Agreement. Except as otherwise expressly provided herein, this Agreement shall remain in full force and effect from the date hereof until such time as all of the outstanding Bonds shall have been fully paid or provision made therefor in accordance with the provisions of the Indenture, whichever shall first occur, and the fees and expenses of the Trustee and any paying agents and all other amounts payable by the Company under this Agreement and the Note shall have been paid.

SECTION 6.2. Notices. All notices, certificates or other communications hereunder shall be sufficiently given and shall be deemed given when delivered or mailed by registered or certified mail, postage prepaid, addressed as follows: if to the Issuer, to the Chairman of the Board of Commissioners, 223 Palafox Place, Pensacola, Florida 32597; if to the Company, at 500 Bayfront Parkway, Pensacola, Florida 32501, Attention: Treasurer, with copies to Southern Company Services, Inc., 270 Peachtree Street, N.W., Atlanta, Georgia 30303, Attention: Corporate Finance Department; and if to the Trustee, at 225 Water Street, 3rd Floor, Jacksonville, Florida 32202, Attention: Corporate Trust Department. A duplicate copy of each notice, certificate or other communication given hereunder by either the Issuer or the Company to the other shall also be given to the Trustee. The Issuer, the Company and the Trustee may, by notice given hereunder, designate any further or different addresses to which subsequent notices, certificates or other communications shall be sent.

SECTION 6.3. Binding Effect. This Agreement shall inure to the benefit of and shall be binding upon the Issuer, the Company and their respective successors and assigns, subject, however, to the limitations contained in Section 4.3 hereof.

SECTION 6.4. Severability. In the event any provision of this Agreement shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof.

SECTION 6.5. Amendments. This Agreement may not be effectively terminated except in accordance with the provisions hereof and may not be effectively amended except by a written agreement in accordance with Article XI of the Indenture and signed by the parties hereto.

SECTION 6.6. Execution in Counterparts. This Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

SECTION 6.7. Applicable Law. This Agreement and the Note shall be governed by and construed in accordance with the laws of the State of Florida.

SECTION 6.8. Captions. The captions or headings in this Agreement are for convenience only and in no way define, limit or describe the scope or intent of any provisions or sections of this Agreement.

SECTION 6.9. Other Financing. Notwithstanding anything in this Agreement to the contrary, the Issuer and the Company may hereafter enter into agreements to provide for the financing or refinancing of costs of the Project or any portion thereof.

IN WITNESS WHEREOF, the Issuer and the Company have caused this Agreement to be executed in their respective corporate names and their respective corporate seals to be hereunto affixed and attested by their duly authorized officers, all as of the date first above written.

ESCAMBIA COUNTY, FLORIDA

[SEAL]

By: _____
Chairman of the Escambia County
Board of County Commissioners

ATTEST:

ATTEST: ERNIE LEE MAGAHA
CLERK OF THE CIRCUIT COURT
DEPUTY CLERK

_____
Clerk of the Escambia County
Board of County Commissioners

GULF POWER COMPANY

[SEAL]

By: _____
President and Chief Executive Officer

ATTEST:

_____
Assistant Secretary

IN WITNESS WHEREOF, the Issuer and the Company have caused this Agreement to be executed in their respective corporate names and their respective corporate seals to be hereunto affixed and attested by their duly authorized officers, all as of the date first above written.

ESCAMBIA COUNTY, FLORIDA

[SEAL]

By: _____
Chairman of the Escambia County
Board of County Commissioners

ATTEST:

_____
Clerk of the Escambia County
Board of County Commissioners

GULF POWER COMPANY

[SEAL]

By: _____
President and Chief Executive Officer

ATTEST:

_____
Assistant Secretary

EXHIBIT A

GULF POWER COMPANY
PROMISSORY NOTE

GULF POWER COMPANY ("Gulf"), a corporation organized and existing under the laws of the State of Maine, acknowledges itself indebted and for value received hereby promises to pay to the order of Escambia County, Florida (the "County"), and its successors and assigns, the principal sum of THIRTY-SEVEN MILLION DOLLARS ($37,000,000) together with interest on the unpaid principal balance thereof from the date hereof until Gulf's obligations with respect to the payment of such sum shall be discharged at the rate or rates borne by the Bonds referred to below. As additional interest hereon there shall be payable, and Gulf promises to pay when due, amounts which shall equal the premium, if any, due on such Bonds in connection with the redemption thereof. Gulf further promises to pay the purchase price of such Bonds as hereinbelow provided.

This Note is issued to evidence the Loan (as defined in the Agreement hereinafter referred to) of the County to Gulf and the obligation of Gulf to repay the same and shall be governed by and be payable in accordance with the terms and conditions of a loan agreement (the "Agreement") between the County and Gulf dated as of July 1, 1997, pursuant to which the County has loaned to Gulf the proceeds of the sale of the County's $37,000,000 of Pollution Control Revenue Refunding Bonds (Gulf Power Company Project), Series 1997 (the "Bonds"). This Note (together with the Agreement) has been assigned to First Union National Bank (the "Trustee"), acting pursuant to a trust indenture dated as of July 1, 1997 (the "Indenture") between the County and the Trustee, and may not be assigned by the Trustee except to a successor Trustee pursuant to the terms of the Indenture. Such assignment is made as security for the Bonds. The Bonds are dated and bear interest in accordance with the provisions of the Indenture, and mature on July 1, 2022. The Bonds are subject to redemption or prior purchase prior to maturity as provided therein.

Subject to the provisions of the Agreement, payments hereon are to be made by paying to the Trustee, as assignee of the County, in funds which will be immediately available on the day payment is due, amounts which, and at or before times which, shall correspond to the payments with respect to the principal of and premium, if any, and interest on the Bonds whenever and in whatever manner the same shall become due, whether at stated maturity, upon redemption or declaration or otherwise, and the purchase price of Bonds required to be purchased under the Indenture. If (i) on the date any payments on the Bonds are due there are any available moneys on deposit with the Trustee which are not being held for the payment of Bonds due and payable but which have not been presented for payment, or (ii) on any date on which Bonds are required to be purchased pursuant to the Bonds or Article III of the Indenture, there are available moneys on deposit with the Trustee held for the payment of the purchase price which are not being held for the payment of Bonds which have not been presented for payment, then, in each case, such

moneys shall be credited against the payment then due hereunder, first in respect of interest and then, to the extent of remaining moneys, in respect of principal. Upon the occurrence of an Event of Default, as defined in the Agreement, the principal of and interest on this Note may be declared immediately due and payable as provided in the Agreement.

Neither the officers of Gulf nor any persons executing this Note shall be liable personally or shall be subject to any personal liability or accountability by reason of the issuance hereof.

This Note is secured by that certain Deed of Trust referred to in the Agreement.

IN WITNESS WHEREOF, Gulf Power Company has caused this Note to be executed in its corporate name and on its behalf by its President, its Treasurer or a Vice President by his manual signature, and its corporate seal to be impressed hereon and attested by the manual signature of its Secretary or an Assistant Secretary, all as of the date first above written.

GULF POWER COMPANY

By: _____

Attest: _____

ASSIGNMENT

Pay to the order of First Union National Bank, as assignee of Escambia County, Florida under the Trust Indenture, dated as of July 1, 1997, between Escambia County, Florida and First Union National Bank, as Trustee, securing the payment of Escambia County, Florida Pollution Control Revenue Refunding Bonds (Gulf Power Company Project), Series 1997, in the original principal amount of $37,000,000.

ESCAMBIA COUNTY, FLORIDA

By: _____

EXHIBIT C.4.

JACKSON COUNTY, FLORIDA

and

GULF POWER COMPANY

LOAN AGREEMENT

Dated as of July 1, 1997

Relating to

$3,930,000
Pollution Control Revenue Refunding Bonds
(Gulf Power Company Project)
Series 1997

LOAN AGREEMENT

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(This Table of Contents is for convenience of reference only and is not a part of this Loan Agreement)

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LOAN AGREEMENT dated as of July 1, 1997 between JACKSON COUNTY, FLORIDA (the "Issuer"), a "local agency" as defined in the Florida Industrial Development Financing Act, being Part II of Chapter 159, Florida Statutes, Sections 159.25 through 159.431 (the "Act"), and a political subdivision of the State of Florida, and GULF POWER COMPANY, a corporation organized and existing under the laws of the State of Maine and qualified and doing business as an electric utility in the State of Florida (the "Company"), evidencing the agreement of the parties hereto.

In consideration of the respective representations and agreements hereinafter contained, the parties hereto agree as follows (provided that in the performance of the agreements of the Issuer herein contained, any obligation it may thereby incur for the payment of money shall not be a general debt, liability or obligation of the Issuer, or of the State of Florida or any political subdivision thereof but shall be payable solely out of the revenues and proceeds derived from this Agreement and the Note (as hereinafter defined) and the sale of the Bonds referred to herein):

ARTICLE I

DEFINITIONS

"Bondholder", "Bonds", "Business Day", "Government Obligations", "Refunded Bonds", "Refunded Bonds Trustee", "Remarketing Agent" and "Trustee" have the same meanings given and assigned to such words in Article I of the Indenture (as hereinafter defined).

"Agreement" means this Loan Agreement and any amendments and supplements hereto.

"Deed of Trust" means the Subordinate Land Deed of Trust dated as of July 1, 1997 between the Company, as grantor, and the Issuer, as beneficiary, providing for the security conveyance of certain property of the Company described therein.

"Event of Default" means any of the occurrences enumerated in Section 5.1 of this Agreement.

"Indenture" means the Trust Indenture dated as of July 1, 1997, relating to Pollution Control Revenue Refunding Bonds (Gulf Power Company Project), Series 1997, between the Issuer and First Union National Bank, as Trustee, pursuant to which the Bonds are authorized to be issued, and including any indenture supplemental thereto.

"Loan" means the loan to be made by the Issuer to the Company of the proceeds (which shall be deemed to include the underwriting discounts, if any, and original issue discount, if any) of the sale of the Bonds, exclusive of any accrued interest paid by the initial purchasers of the Bonds upon the delivery thereof.

"Note" means the non-negotiable promissory note of the Company issued pursuant to Section 3.2 hereof, in the form set forth in Exhibit A hereto.

"Original Agreement" means the Installment Sale Agreement dated as of December 1, 1974 between the Issuer and the Company, delivered in connection with the issuance of the Issuer's $3,930,000 Pollution Control Revenue Bonds (Gulf Power Company Scholz Steam Plant Project), Series A.

"Plans" and "Project" have the same meanings given and assigned to such words in Article I of the Original Agreement.

ARTICLE II

ACQUISITION AND COMPLETION OF THE PROJECT; ISSUANCE OF THE BONDS

SECTION 2.1. Acquisition and Completion of the Project. The Company represents that it has caused the acquisition, construction, installation and equipping of the Project to be completed substantially in accordance with the Plans.

SECTION 2.2. Issuance of the Bonds. In order to provide funds for the purpose set forth in Section 3.1 hereof, the Issuer agrees that it will issue and deliver the Bonds to the purchasers thereof at a price of par and apply and deposit the proceeds thereof in accordance with the terms of the Indenture. The Indenture shall be satisfactory in form and substance to the County and the Company and shall provide the manner in which, and the purposes for which, proceeds of Bonds may be used and invested.

ARTICLE III

LOAN BY ISSUER; PROVISIONS FOR PAYMENT

SECTION 3.1. Loan by Issuer. The Issuer hereby agrees to make the Loan to the Company in order to refund the Refunded Bonds. The Company hereby agrees to cause the proceeds of the Bonds to be applied exclusively to such purpose and to cause the redemption of the Refunded Bonds to be effected within 90 days after the date of initial issuance of the Bonds. The Company agrees to pay to the Refunded Bonds Trustee the amount in excess of the proceeds of the Bonds needed to pay the redemption price of the Refunded Bonds.

SECTION 3.2. Delivery of Note by Company; Other Amounts Payable. In order to evidence the Loan and the obligation of the Company to repay the same, the Company shall execute and deliver the Note in a principal amount equal to the aggregate principal amount of the Bonds and providing for payments which correspond in time and amount with payments due with respect to the principal or purchase price of, interest and premium, if any, on the Bonds, whether at maturity, prior optional or mandatory redemption, or upon tender for purchase or otherwise. The Note shall be dated the date of the initial authentication of, and mature on the same maturity date as, the Bonds. If (i) on the date any payments on the Bonds are due there are

any available moneys on deposit with the Trustee which are not being held for the payment of Bonds due and payable but which have not been presented for payment, or (ii) on any date on which Bonds are required to be purchased pursuant to the Bonds or Article III of the Indenture, there are available moneys on deposit with the Trustee held for the payment of the purchase price which are not being held for the payment of Bonds which have not been presented for payment, then, in each case, such moneys shall be credited against the payment then due under the Note, first in respect of interest and then, to the extent of remaining moneys, in respect of principal.

The Company shall pay all reasonable costs and expenses incurred in connection with the issuance of the Bonds and the execution, delivery and performance of the Agreement, the Indenture and any other documents or instruments related thereto or to the Bonds, to which the Issuer is a party or by which it is bound, including, without limitation, the reasonable fees of the Issuer's financial advisor and bond counsel.

The Company will also pay: (i) the fees, charges and reasonable expenses of the Trustee and any paying agents under the Indenture, such fees, charges and reasonable expenses to be paid directly to the Trustee or paying agents for their respective accounts as and when such fees, charges and reasonable expenses become due and payable, (ii) any expenses in connection with any redemption of the Bonds and (iii) all other amounts due under the terms hereof to the Issuer.

SECTION 3.3. Obligation of the Company Unconditional. The obligation of the Company to make payments as provided in the Note and to perform and observe the other agreements on its part contained herein shall be absolute and unconditional notwithstanding any change in the tax or other laws of the United States of America or of the State of Florida or any political subdivision of either thereof or any failure of the Issuer to perform and observe any agreement, whether express or implied, or any duty, liability or obligation arising out of or connected with this Agreement. Subject in all cases to Section 4.2 hereof, nothing contained in this Section 3.3 shall be construed to release the Issuer from the performance of any of the agreements on its part herein contained; and, in the event the Issuer should fail to perform any such agreement on its part, the Company may institute such action against the Issuer as the Company may deem necessary to compel performance so long as such action shall not violate the agreements on the part of the Company contained in the preceding sentence, but in no event shall the Company be entitled to any diminution of the amounts payable under the Note and as provided in Section 3.2 hereof.

SECTION 3.4. Assignment and Pledge of Payments and Rights Under the Note, the Deed of Trust and the Agreement. The Issuer shall assign to the Trustee as security under the Indenture all rights, title and interests of the Issuer in and to (i) the Note and all payments thereunder, (ii) the Deed of Trust and (iii) this Agreement and all moneys receivable hereunder (except for payments under Sections 4.2 and 5.3 hereof). The Company assents to such assignment and hereby agrees that, as to the Trustee, its obligations to make such payments shall be absolute and shall not be subject to any defense or any right of set-off, counterclaim or recoupment arising out of any breach by the Issuer or the Trustee of any obligation to the Company, whether hereunder or otherwise, or out of any indebtedness or liability at any time owing to the Company by the Issuer or the Trustee.

ARTICLE IV

SPECIAL COVENANTS

SECTION 4.1. Use of Project. The Issuer hereby acknowledges that it shall have no rights to the use or possession of the Project. The Issuer hereby further acknowledges that the Project will not constitute any part of the security for the Bonds.

SECTION 4.2. Indemnity Against Claims. (a) Notwithstanding anything to the contrary contained herein or in any of the Bonds, the Indenture or in any other instrument or document executed by or on behalf of the Issuer in connection herewith, (i) the Issuer shall have no obligation to take action under this Agreement, the Indenture, the Bonds or such other instruments or documents unless the Issuer is reasonably requested in writing by an appropriate person to take such action and is provided with indemnity and assurances reasonably satisfactory to it of payment of or reimbursement for any expenses (including attorneys' fees) in such action, and (ii) any judgment rendered against the Issuer for breach of its obligations under this Agreement, the Indenture, the Bonds or such other instruments or documents shall be payable solely from the revenues derived from the Project by the Issuer under this Agreement, the Note and the Indenture, and no personal liability or charge payable directly or indirectly from the general funds of the Issuer shall arise therefrom. The provisions of this Section shall survive the termination of this Agreement.

(b) In acting under this Agreement, the Indenture, the Bonds or such other instruments or documents, or in refraining from taking such action, the Issuer may conclusively rely on the advice of its counsel.

(c) The Company will pay and discharge and will indemnify and hold harmless the Issuer from (i) any lien or charge upon payments by the Company to the Issuer under the Note or hereunder, (ii) any taxes, assessments, impositions and other charges upon payments by the Company to the Issuer under the Note or hereunder and (iii) any and all liability, damages, costs and expenses arising out of or resulting from the transactions contemplated by this Agreement and the Indenture, including the reasonable fees and expenses of counsel. If any such lien or charge is sought to be imposed upon payments, or any such taxes, assessments, impositions or other charges are sought to be imposed, or any such liability, damages, costs and expenses are sought to be imposed, the Issuer will give prompt notice to the Company, and the Company shall have the sole right and duty to assume, and will assume, the defense thereof, with full power to litigate, compromise or settle the same in its sole discretion.

SECTION 4.3. The Company to Maintain Its Corporate Existence; Conditions Under Which Exceptions Permitted. The Company agrees that during the term of this Agreement it will maintain its corporate existence and qualification to do business in Florida, will not dissolve or otherwise dispose of all or substantially all of its assets and will not consolidate with or merge into another corporation or permit one or more other corporations to consolidate with or merge into it; provided, that the Company may, without violating the agreements contained in this Section 4.3, consolidate with or merge into another domestic corporation (i.e., a corporation

incorporated and existing under the laws of one of the states of the United States of America or under the laws of the United States of America) or permit one or more other corporations to consolidate with or merge into it, or sell or otherwise transfer to another domestic corporation all or substantially all of its assets as an entirety and thereafter dissolve, provided that, in the event the Company is not the surviving, resulting or transferee corporation, as the case may be, the surviving, resulting or transferee corporation assumes, accepts and agrees in writing to pay and perform all of the obligations of the Company herein and under the Note and is a Florida corporation or is qualified to do business in Florida as a foreign corporation and that such consolidation or merger does not result in the loss of the exclusion from gross income for federal income tax purposes of interest on the outstanding Bonds.

SECTION 4.4. Annual Statement. The Company agrees to have an annual audit made by its regular independent public accountants and within 180 days after the close of each fiscal year to furnish the Trustee and any Bondholder who may so request a balance sheet and statement of income and surplus showing the financial condition of the Company and its consolidated subsidiaries, if any, at the close of such fiscal year and the results of operations of the Company and its consolidated subsidiaries, if any, for such fiscal year, accompanied by a certificate or opinion of said accountants. The requirements of this Section 4.4 may be satisfied by the submission to the Trustee and each Bondholder who may request such information of the Company's annual report to its shareholders.

SECTION 4.5. Further Assurances and Corrective Instruments. The Issuer and the Company agree that they will, from time to time, execute, acknowledge and deliver, or cause to be executed, acknowledged and delivered, such supplements hereto and such further instruments as may reasonably be required for correcting any inadequate or incorrect description of the Project and for carrying out the intention or facilitating the performance of this Agreement.

SECTION 4.6. Maintenance of Project by Company. The Company agrees that during the term of this Agreement it will pay all costs of operating, maintaining and repairing the Project; provided, however, that the Company shall not be under any obligation to renew, repair or replace any inadequate, obsolete, worn-out, unsuitable, undesirable or unnecessary portion of the Project.

SECTION 4.7. Redemption or Purchase of Bonds. The Issuer shall take all steps then necessary under the applicable provisions of the Indenture for the redemption or purchase (other than a purchase pursuant to tenders as provided in the form of Bonds or in lieu of redemption as provided in Section 3.07 of the Indenture) of Bonds upon receipt, not less than ten days prior to the day on which the Trustee is required to give notice (if any) thereof pursuant to the Indenture, by the Issuer and the Trustee from the Company of a written notice specifying:

(a) the principal amount of Bonds to be redeemed or purchased;

(b) the date of such redemption or purchase; and

(c) in the case of a redemption of Bonds, directions to mail a notice of redemption.

In the case of a purchase of Bonds, the written notice to the Trustee shall, if available moneys on deposit with the Trustee are insufficient to purchase the principal amount of Bonds specified in (a) above, be accompanied by a deposit with the Trustee of cash or Government Obligations sufficient, together with other available moneys on deposit with the Trustee, to make the directed purchase of Bonds.

SECTION 4.8. Non-Arbitrage Covenant. The Company covenants that it shall take no action, nor shall the Company direct the taking of any action or the making of any investment or use of the proceeds of the Bonds or any other moneys, which would cause the Bonds to be treated as "arbitrage bonds" within the meaning of Section 148 of the Internal Revenue Code of 1986, as amended, and the proposed, temporary or final regulations thereunder as such may be applicable or proposed to be applicable to the Bonds at the time of such action, investment or use.

The Issuer covenants that it shall not knowingly take any action which would cause the Bonds to be treated as "arbitrage bonds" within the meaning of Section 148 of the Internal Revenue Code of 1986, as amended, and the proposed, temporary or final regulations thereunder as such may be applicable to the Bonds or the proceeds derived from the sale of the Bonds or any other moneys; provided, however, that no action taken by the Issuer pursuant to and in accordance with the terms of this Agreement or the Indenture shall give rise in any manner whatsoever to any claim against or liability of the Issuer under this Agreement; and provided further, that any such claims or liabilities shall in all events be subject to the indemnification provisions of Section 4.2.

Without limiting the generality of the foregoing, the Company covenants and agrees to comply with the requirements of Section 148(f) of the Internal Revenue Code of 1986, as amended, and any proposed, temporary or final regulations thereunder as may be applicable to the Bonds or the proceeds derived from the sale of the Bonds or any other moneys.

SECTION 4.9. No Issuer Liability. Notwithstanding the fact that is the intention of the parties hereto that the Issuer shall not incur any loss, expense or pecuniary liability by reason of the terms of this Agreement or the undertakings required of the Issuer hereunder, by reason of the issuance of the performance of any act requested of the Issuer by the Company, including all claims, liabilities or losses arising in connection with the violation of any statutes or regulation pertaining to the foregoing, if the Issuer should incur any such loss, expense or pecuniary liability, then in such event the Company shall indemnify and hold the Issuer harmless against all claims, demands or causes of action whatsoever, by or on behalf of any person, firm or corporation or other legal entity arising out of the same or out of any offering statement or lack of offering statement or disclosure in connection with the offering, sale or remarketing of the Bonds or out of any determination of taxability of the Bonds or interest thereon and all costs and expenses incurred in connection with any such claim or in connection with any action or proceeding brought thereon, and upon notice from the Issuer, the Company shall defend the Issuer in any such action or proceeding. All references to the Issuer in this Section shall be deemed to include its Board of County Commissioners, Commission Members, officers, employees and agents.

Notwithstanding anything to the contrary contained h .ein or in any of the Bonds, or the Indenture or in any other instrument or document executed by or on behalf of the Issuer in connection herewith, no stipulation, covenant, agreement or obligation contained herein or therein shall be deemed or construed to be a stipulation, covenant, agreement or obligation of any present or future member, officer, employee or agent of the Issuer, or of any incorporator, member, director, trustee, officer, employee or agent of any successor to the Issuer, in any such person's individual capacity, and no such person, in his individual capacity, shall be liable personally for any breach or non-observance of or for any failure to perform, fulfill or comply with any such stipulations, covenants, agreements or obligations, nor shall any recourse be had for the payment of the principal of, premium, if any, or interest on any of the Bonds or for any claim based thereon or on any such stipulation, covenant, agreement or obligation, against any such person, in his individual capacity, either directly or through the Issuer or any successor to the Issuer, under any rule of law or equity, statute or constitution or by the enforcement of any assessment or penalty or otherwise, and all such liability of any such person, in his individual capacity, is hereby expressly waived and released. The provisions of this Section shall survive the termination of this Agreement.

SECTION 4.10 Post Issuance Audits. The Company agrees to provide such records regarding the Project and the use, investment and application of proceeds of the Bonds as may reasonably be requested by the County to enable the County to determine that the Company has complied with the requirements of this Agreement and the Indenture subsequent to the issuance of the Bonds. Such compliance shall include, but not be limited to, the proper use of the Bonds proceeds for the intended purposes of the Indenture and this Agreement and compliance with any federal arbitrage rebate requirements. The Company agrees to advance all funds necessary to enable the County to engage and pay for such auditors, accountants, financial advisors, counsel or other professionals for purposes of reasonably determining such compliance.

ARTICLE V

EVENTS OF DEFAULT AND REMEDIES

SECTION 5.1. Events of Default. Each of the following shall be an "Event of Default" under this Agreement:

(a) Failure by the Company to pay when due the amounts required to be paid pursuant to the Note which failure, in the case of such amounts in respect of interest on any Bond, continues for five days, or the failure by the Company to pay within 30 days of the date due any other amounts required to be paid pursuant to this Agreement.

(b) Failure by the Company to observe and perform any covenant, condition or agreement on its part to be observed or performed hereunder, other than as referred to in subsection (a) of this Section 5.1, for a period of 90 days after written notice, specifying such failure and requesting that it be remedied, is given to the Company by the Issuer or the Trustee, unless the Issuer and the Trustee shall agree in writing to an

extension of such period prior to its expiration; provided, however, if the failure stated in the notice cannot be corrected within the applicable period, the Issuer and the Trustee will not unreasonably withhold their consent to an extension of such period if corrective action is instituted by the Company within the applicable period and diligently pursued until the default is corrected.

(c) The dissolution or liquidation of the Company, except as permitted by Section 4.3 hereof, or the commencement by the Company of any case or proceeding seeking to have an order for relief entered on its behalf as a debtor or to adjudicate it as bankrupt or insolvent or seeking reorganization, liquidation, dissolution, winding-up, arrangement, composition, readjustment of its debts or any other relief under any bankruptcy, insolvency, reorganization or other similar law of the United States or any state, or adjudication of the Company as bankrupt, or an assignment by the Company for the benefit of its creditors, or the entry by the Company into an agreement of composition with its creditors, or the approval by a court of competent jurisdiction of a petition applicable to the Company in any proceeding for its reorganization instituted under the provisions of Title 11 of the United States Code, as amended, or under any similar statutory provision which may hereafter be enacted.

The foregoing provisions of Section 5.1(b) are subject to the limitation that, if by reason of force majeure the Company is unable in whole or in part to carry out its agreements herein contained other than those set forth in Sections 3.2, 4.3 and 4.8 hereof, an Event of Default shall not be deemed to have occurred during the continuance of such inability. The term "force majeure" as used herein shall mean the following: acts of God; strikes; lockouts or other industrial disturbances; acts of public enemies; orders of any kind of the government of the United States or of the State of Florida or any of their departments, agencies or officials or of any civil or military authority; insurrections; riots; epidemics; landslides; lightning; earthquakes; fire; hurricanes; tornadoes; storms; floods; washouts; droughts; arrests; restraints of government and people; civil disturbances; explosions; breakage or accident to machinery, transmission lines, pipes or canals; partial or entire failure of utilities; or any other cause or event not reasonably within the control of the Company. The Company agrees, however, to remedy to the extent practicable with all reasonable dispatch the effects of any force majeure preventing the Company from carrying out its agreements; provided that the settlement of strikes, lockouts and other industrial disturbances shall be entirely within the discretion of the Company, and the Company shall not be required to make settlement of strikes, lockouts and other industrial disturbances by acceding to the demands of the opposing party or parties when such course is in the judgment of the Company unfavorable to the Company.

SECTION 5.2. Remedies on Default. Whenever any Event of Default shall have occurred and be continuing, the Issuer may, in addition to any other remedy now or hereafter existing at law, in equity or by statute, take either or both of the following remedial steps:

(a) By written notice to the Company, the Issuer may accelerate and declare all amounts payable pursuant to the Note to be immediately due and payable, whereupon the same shall become immediately due and payable;

(b) The Issuer may take whatever action at law or in equity may appear necessary or desirable to collect the amounts referred to in (a) above then due and thereafter to become due, or to enforce performance and observance of any obligation, agreement or covenant of the Company under this Agreement.

Any amounts collected pursuant to action taken under this Section 5.2 shall be deposited with the Trustee and applied in accordance with the provisions of the Indenture or, if the Bonds have been fully paid (or provision for payment thereof has been made in accordance with the provisions of the Indenture) and the fees and expenses of the Trustee and the paying agents and all other amounts required to be paid under the Indenture shall have been paid, to the Company.

SECTION 5.3. Agreement to Pay Attorneys' Fees and Expenses. In the event the Company should breach any of the provisions of the Note or this Agreement and the Issuer should employ attorneys or incur other expenses for the collection of amounts payable hereunder or the enforcement of performance or observance of any obligation or agreement on the part of the Company herein contained, the Company agrees that it will on demand therefor pay to the Issuer the reasonable fees of such attorneys and such other reasonable expenses so incurred by the Issuer.

SECTION 5.4. No Additional Waiver Implied by One Waiver. In the event any agreement contained in the Note or in this Agreement should be breached by either party and thereafter waived by the other party, such waiver shall be limited to the particular breach so waived and shall not be deemed to waive any other breach hereunder.

ARTICLE VI

MISCELLANEOUS

SECTION 6.1. Term of This Agreement. Except as otherwise expressly provided herein, this Agreement shall remain in full force and effect from the date hereof until such time as all of the outstanding Bonds shall have been fully paid or provision made therefor in accordance with the provisions of the Indenture, whichever shall first occur, and the fees and expenses of the Trustee and any paying agents and all other amounts payable by the Company under this Agreement and the Note shall have been paid.

SECTION 6.2. Notices. All notices, certificates or other communications hereunder shall be sufficiently given and shall be deemed given when delivered or mailed by registered or certified mail, postage prepaid, addressed as follows: if to the Issuer, to the Chairman of the Board of Commissioners, Jackson County Administration Building, Marianna, Florida 32446; if to the Company, at 500 Bayfront Parkway, Pensacola, Florida 32501, Attention: Treasurer, with copies to Southern Company Services, Inc., 270 Peachtree Street, N.W., Atlanta, Georgia 30303, Attention: Corporate Finance Department; and if to the Trustee, at 225 Water Street, 3rd Floor, Jacksonville, Florida 32202, Attention: Corporate Trust Department. A duplicate copy of each notice, certificate or other communication given hereunder by either the Issuer or the Company to the other shall also be given to the Trustee. The Issuer, the Company and the Trustee may, by

notice given hereunder, designate any further or different addresses to which subsequent notices, certificates or other communications shall be sent.

SECTION 6.3. Binding Effect. This Agreement shall inure to the benefit of and shall be binding upon the Issuer, the Company and their respective successors and assigns, subject, however, to the limitations contained in Section 4.3 hereof.

SECTION 6.4. Severability. In the event any provision of this Agreement shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof.

SECTION 6.5. Amendments. This Agreement may not be effectively terminated except in accordance with the provisions hereof and may not be effectively amended except by a written agreement in accordance with Article XI of the Indenture and signed by the parties hereto.

SECTION 6.6. Execution in Counterparts. This Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

SECTION 6.7. Applicable Law. This Agreement and the Note shall be governed by and construed in accordance with the laws of the State of Florida.

SECTION 6.8. Captions. The captions or headings in this Agreement are for convenience only and in no way define, limit or describe the scope or intent of any provisions or sections of this Agreement.

SECTION 6.9 Other Financing. Notwithstanding anything in this Agreement to the contrary, the Issuer and the Company may hereafter enter into agreements to provide for the financing or refinancing of costs of the Project or any portion thereof.

IN WITNESS WHEREOF, the Issuer and the Company have caused this Agreement to be executed in their respective corporate names and their respective corporate seals to be hereunto affixed and attested by their duly authorized officers, all as of the date first above written.

JACKSON COUNTY, FLORIDA

[SEAL]

By: _____
Chairman of the Jackson County
Board of County Commissioners

ATTEST:

_____
Clerk of the Jackson County
Board of County Commissioners

GULF POWER COMPANY

[SEAL]

By: _____
President and Chief Executive Officer

ATTEST:

_____
Assistant Secretary

IN WITNESS WHEREOF, the Issuer and the Company have caused this Agreement to be executed in their respective corporate names and their respective corporate seals to be hereunto affixed and attested by their duly authorized officers, all as of the date first above written.

JACKSON COUNTY, FLORIDA

[SEAL] By: _____

Chairman of the Jackson County
Board of County Commissioners

ATTEST:

_____

Clerk of the Jackson County
Board of County Commissioners

GULF POWER COMPANY

[SEAL] By: _____

President and Chief Executive Officer

ATTEST:

_____

Assistant Secretary

EXHIBIT A

GULF POWER COMPANY
PROMISSORY NOTE

GULF POWER COMPANY ("Gulf"), a corporation organized and existing under the laws of the State of Maine, acknowledges itself indebted and for value received hereby promises to pay to the order of Jackson County, Florida (the "County"), and its successors and assigns, the principal sum of THREE MILLION NINE HUNDRED THIRTY THOUSAND DOLLARS ($3,930,000) together with interest on the unpaid principal balance thereof from the date hereof until Gulf's obligations with respect to the payment of such sum shall be discharged at the rate or rates borne by the Bonds referred to below. As additional interest hereon there shall be payable, and Gulf promises to pay when due, amounts which shall equal the premium, if any, due on such Bonds in connection with the redemption thereof. Gulf further promises to pay the purchase price of such Bonds as hereinbelow provided.

This Note is issued to evidence the Loan (as defined in the Agreement hereinafter referred to) of the County to Gulf and the obligation of Gulf to repay the same and shall be governed by and be payable in accordance with the terms and conditions of a loan agreement (the "Agreement") between the County and Gulf dated as of July 1, 1997, pursuant to which the County has loaned to Gulf the proceeds of the sale of the County's $3,930,000 of Pollution Control Revenue Refunding Bonds (Gulf Power Company Project), Series 1997 (the "Bonds"). This Note (together with the Agreement) has been assigned to First Union National Bank (the "Trustee"), acting pursuant to a trust indenture dated as of July 1, 1997 (the "Indenture") between the County and the Trustee, and may not be assigned by the Trustee except to a successor Trustee pursuant to the terms of the Indenture. Such assignment is made as security for the Bonds. The Bonds are dated and bear interest in accordance with the provisions of the Indenture, and mature on July 1, 2022. The Bonds are subject to redemption or prior purchase prior to maturity as provided therein.

Subject to the provisions of the Agreement, payments hereon are to be made by paying to the Trustee, as assignee of the County, in funds which will be immediately available on the day payment is due, amounts which, and at or before times which, shall correspond to the payments with respect to the principal of and premium, if any, and interest on the Bonds whenever and in whatever manner the same shall become due, whether at stated maturity, upon redemption or declaration or otherwise, and the purchase price of Bonds required to be purchased under the Indenture. If (i) on the date any payments on the Bonds are due there are any available moneys on deposit with the Trustee which are not being held for the payment of Bonds due and payable but which have not been presented for payment, or (ii) on any date on which Bonds are required to be purchased pursuant to the Bonds or Article III of the Indenture, there are available moneys on deposit with the Trustee held for the payment of the purchase price which are not being held for the payment of Bonds which have not been presented for payment, then, in each case, such

moneys shall be credited against the payment then due hereunder, first in respect of interest and then, to the extent of remaining moneys, in respect of principal. Upon the occurrence of an Event of Default, as defined in the Agreement, the princi· al of and interest on this Note may be declared immediately due and payable as provided in the Agreement.

Neither the officers of Gulf nor any persons executing this Note shall be liable personally or shall be subject to any personal liability or accountability by reason of the issuance hereof.

This Note is secured by that certain Deed of Trust referred to in the Agreement.

IN WITNESS WHEREOF, Gulf Power Company has caused this Note to be executed in its corporate name and on its behalf by its President, its Treasurer or a Vice President by his manual signature, and its corporate seal to be impressed hereon and attested by the manual signature of its Secretary or an Assistant Secretary, all as of the date first above written.

GULF POWER COMPANY

By: _____

Attest. _____

ASSIGNMENT

Pay to the order of First Union National Bank, as assignee of Jackson County, Florida under the Trust Indenture, dated as of July 1, 1997, between Jackson County, Florida and First Union National Bank, as Trustee, securing the payment of Jackson County, Florida Pollution Control Revenue Refunding Bonds (Gulf Power Company Project), Series 1997, in the original principal amount of $3,930,000.

JACKSON COUNTY, FLORIDA

By: _____

The holder hereof has agreed not to transfer this Note except to a successor Trustee under the Trust Indenture dated as of July 1, 1997 of Escambia County, Florida relating to the Bonds (hereinafter referred to).

GULF POWER COMPANY
PROMISSORY NOTE

July 1, 1997

GULF POWER COMPANY ("Gulf"), a corporation organized and existing under the laws of the State of Maine, acknowledges itself indebted and for value received hereby promises to pay to the order of Escambia County, Florida (the "County"), and its successors and assigns, the principal sum of THIRTY-SEVEN MILLION DOLLARS ($37,000,000) together with interest on the unpaid principal balance thereof from the date hereof until Gulf's obligations with respect to the payment of such sum shall be discharged at the rate or rates borne by the Bonds referred to below. As additional interest hereon there shall be payable, and Gulf promises to pay when due, amounts which shall equal the premium, if any, due on such Bonds in connection with the redemption thereof. Gulf further promises to pay the purchase price of such Bonds as hereinbelow provided.

This Note is issued to evidence the Loan (as defined in the Agreement hereinafter referred to) of the County to Gulf and the obligation of Gulf to repay the same and shall be governed by and be payable in accordance with the terms and conditions of a loan agreement (the "Agreement") between the County and Gulf dated as of July 1, 1997, pursuant to which the County has loaned to Gulf the proceeds of the sale of the County's $37,000,000 of Pollution Control Revenue Refunding Bonds (Gulf Power Company Project), Series 1997 (the "Bonds"). This Note (together with the Agreement) has been assigned to First Union National Bank (the "Trustee"), acting pursuant to a trust indenture dated as of July 1, 1997 (the "Indenture") between the County and the Trustee, and may not be assigned by the Trustee except to a successor Trustee pursuant to the terms of the Indenture. Such assignment is made as security for the Bonds. The Bonds are dated and bear interest in accordance with the provisions of the Indenture, and mature on July 1, 2022. The Bonds are subject to redemption or prior purchase prior to maturity as provided therein.

Subject to the provisions of the Agreement, payments hereon are to be made by paying to the Trustee, as assignee of the County, in funds which will be immediately available on the day payment is due, amounts which, and at or before times which, shall correspond to the payments with respect to the principal of and premium, if any, and interest on the Bonds whenever and in whatever manner the same shall become due, whether at stated maturity, upon redemption or declaration or otherwise, and the purchase price of Bonds required to be purchased under the Indenture. If (i) on the date any payments on the Bonds are due there are any available moneys on deposit with the Trustee which are not being held for the payment of Bonds due and payable but which have not been presented for payment, or (ii) on any date on which Bonds are required to be purchased pursuant to the Bonds or Article III of the Indenture, there are available moneys on deposit with the Trustee held for the payment of the purchase

price which are not being held for the payment of Bonds which have not been presented for payment, then, in each case, such moneys shall be credited against the payment then due hereunder, first in respect of interest and then, to the extent of remaining moneys, in respect of principal. Upon the occurrence of an Event of Default, as defined in the Agreement the principal of and interest on this Note may be declared immediately due and payable as provided in the Agreement.

Neither the officers of Gulf nor any persons executing this Note shall be liable personally or shall be subject to any personal liability or accountability by reason of the issuance hereof.

This Note is secured by that certain Deed of Trust referred to in the Agreement.

IN WITNESS WHEREOF, Gulf Power Company has caused this Note to be executed in its corporate name and on its behalf by its Presid[illegible]t, its Treasurer or a Vice President by his manual signature, and its corporate seal to be impressed hereon and attested by the manual signature of its Secretary or an Assistant Secretary, all as of the date first above written.

GULF POWER COMPANY

By: _____

Attest: _____

ASSIGNMENT

Pay to the order of First Union National Bank, as assignee of Escambia County, Florida under the Trust Indenture, dated as of July 1, 1997, between Escambia County, Florida and First Union National Bank, as Trustee, securing the payment of Escambia County, Florida Pollution Control Revenue Refunding Bonds (Gulf Power Company Project), Series 1997, in the original principal amount of $37,000,000.

ESCAMBIA COUNTY, FLORIDA

By: _____

THOMAS G. BANJANIN, CHAIRMAN

The holder hereof has agreed not to transfer this Note except to a successor Trustee under the Trust Indenture dated as of July 1, 1997 of Jc kson County, Florida relating to the Bonds (hereinafter referred to).

GULF POWER COMPANY
PROMISSORY NOTE

July 1, 1997

GULF POWER COMPANY ("Gulf"), a corporation organized and existing under the laws of the State of Maine, acknowledges itself indebted and for value received hereby promises to pay to the order of Jackson County, Florida (the "County"), and its successors and assigns, the principal sum of THREE MILLION NINE HUNDRED THIRTY THOUSAND DOLLARS ($3,930,000) together with interest on the unpaid principal balance thereof from the date hereof until Gulf's obligations with respect to the payment of such sum shall be discharged at the rate or rates borne by the Bonds referred to below. As additional interest hereon there shall be payable, and Gulf promises to pay when due, amounts which shall equal the premium, if any, due on such Bonds in connection with the redemption thereof. Gulf further promises to pay the purchase price of such Bonds as hereinbelow provided.

This Note is issued to evidence the Loan (as defined in the Agreement hereinafter referred to) of the County to Gulf and the obligation of Gulf to repay the same and shall be governed by and be payable in accordance with the terms and conditions of a loan agreement (the "Agreement") between the County and Gulf dated as of July 1, 1997, pursuant to which the County has loaned to Gulf the proceeds of the sale of the County's $3,930,000 of Pollution Control Revenue Refunding Bonds (Gulf Power Company Project), Series 1997 (the "Bonds"). This Note (together with the Agreement) has been assigned to First Union National Bank (the "Trustee"), acting pursuant to a trust indenture dated as of July 1, 1997 (the "Indenture") between the County and the Trustee, and may not be assigned by the Trustee except to a successor Trustee pursuant to the terms of the Indenture. Such assignment is made as security for the Bonds. The Bonds are dated and bear interest in accordance with the provisions of the Indenture, and mature on July 1, 2022. The Bonds are subject to redemption or prior purchase prior to maturity as provided therein.

Subject to the provisions of the Agreement, payments hereon are to be made by paying to the Trustee, as assignee of the County, in funds which will be immediately available on the day payment is due, amounts which, and at or before times which, shall correspond to the payments with respect to the principal of and premium, if any, and interest on the Bonds whenever and in whatever manner the same shall become due, whether at stated maturity, upon redemption or declaration or otherwise, and the purchase price of Bonds required to be purchased under the Indenture. If (i) on the date any payments on the Bonds are due there are any available moneys on deposit with the Trustee which are not being held for the payment of Bonds due and payable but which have not been presented for payment, or (ii) on any date on which Bonds are required to be purchased pursuant to the Bonds or Article III of the Indenture, there are available moneys on deposit with the Trustee held for the payment of the purchase

price which are not being held for the payment of Bonds which have not been presented for payment, then, in each case, such moneys shall be credited against the payment then due hereunder, first in respect of interest and then, to the extent of remaining moneys in respect of principal. Upon the occurrence of an Event of Default, as defined in the Agreement, the principal of and interest on this Note may be declared immediately due and payable as provided in the Agreement.

Neither the officers of Gulf nor any persons executing this Note shall be liable personally or shall be subject to any personal liability or accountability by reason of the issuance hereof.

This Note is secured by that certain Deed of Trust referred to in the Agreement.

IN WITNESS WHEREOF, Gulf Power Company has caused this Note to be executed in its corporate name and on its behalf by its President, ir Treasurer or a Vice President by his manual signature, and its corporate seal to be impressed hereon and attested by the manual signature of its Secretary or an Assistant Secretary, all as of the date first above written.

GULF POWER COMPANY

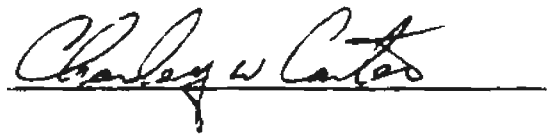
By: _____

Attest: _____

ASSIGNMENT

Pay to the order of First Union National Bank, as assignee of Jackson County, Florida under the Trust Indenture, dated as of July 1, 1997, between Jackson County, Florida and First Union National Bank, as Trustee, securing the payment of Jackson County, Florida Pollution Control Revenue Refunding Bonds (Gulf Power Company Project), Series 1997, in the original principal amount of $3,930,000.

JACKSON COUNTY, FLORIDA

By: 

STATE OF MISSISSIPPI

COUNTY OF JACKSON

$37,000,000

SUBORDINATE LAND DEED OF TRUST

THIS INDENTURE, made and entered into this day by and among Gulf Power Company whose address is 500 Bayfront Parkway, Pensacola, FL 32501, as Grantor (herein designated as "Debtor"), Ben H. Stone, as Trustee, and Escambia County, Florida, as beneficiary (herein designated as "Secured Party"),

WITNESSETH:

WHEREAS, Debtor is indebted to Secured Party in the full principal sum of Thirty-Seven Million Dollars ($37,000,000) evidenced by Debtor's Promissory Note issued of even date herewith in favor of Secured Party (the "Note") pursuant to the Loan Agreement between Debtor and Secured Party dated as of July 1, 1997, said indebtedness bearing interest as specified in the Note being due and payable as set forth in the above described Loan Agreement and Note. Unless sooner paid, the final maturity date of the indebtedness evidenced by the said Note is July 1, 2022.

NOW, THEREFORE, in consideration of the Indebtedness and obligations herein recited, Debtor hereby conveys and warrants unto Trustee, Debtor's undivided one-half (1/2) interest in the land together with all improvements thereon described below situated in the County of Jackson, State of Mississippi:

> A steam plant site at or near Cumbest Bluff in Jackson County, Mississippi, or known as the Jackson County Steam Plant site ("Plant Victor J. Daniel") on land recorded in the office of the Chancery Clerk of Jackson County and described as follows:
>
> Section 15 Township 6 South Range 6 West
>
> Lots 1 and 2 as recorded in Book 416 Page 299 and Book 428 Page 259.

Section 14 Township 6 South Range 6 West

Beginning at the Northeast corner of Section 14, Township 6 South, Range 6 West, and run thence South along the East line of said Section 14 a distance of 2030 feet to a point, run thence West a distance of 380 feet to a point, thence South 3 degrees 30 minutes East a distance of 125 feet to a point, run thence West a distance of 730 feet to Clark Bayou, run thence Southwesterly along the meanderings of Clark Bayou 6,560 feet, more or less, to the Southwest corner of Section 14, thence North along the West section line of Section 14 to the Northwest corner of said section, thence run East along the North line of Section 14 a distance of 5251 feet, more or less, to the Northeast corner of said Section 14 and the Point of Beginning, less and except that part to Miss. State Highway Dept. recorded in Book 172 Pages 585-6, all as recorded in Book 439 Page 467-70.

Section 11 Township 6 South Range 6 West

All that part of the SE 1/4 of SE 1/4 East of Mississippi State Highway 63; all of Section 11 West of Highway 63 all being recorded in Book 439 Page 467-70, Book 434 Page 601, Book 434 Page 664, Book 434 Page 600, Book 442 Page 155, and Book 441 Page 327.

Section 10 Township 6 South Range 6 West

All of the entire Section as recorded in Book 428 Page 259, Book 448 Page 288, Book 449 Page 418, Book 449 Page 507.

Section 9 Township 6 South Range 6 West

All that part East of Pascagoula River as recorded in Book 428 Page 259.

Section 4 Township 6 South Range 6 West

All that part East of Pascagoula River and South of Vaughn Bayou, as recorded in Book 428 Page 259.

Section 37 Township 6 South Range 6 West

All that part of Allen Goodwin Private Claim 37 that would have been the S 1/2 of Regular Section 3, if regularly surveyed, less and except that part lying Northwest of Vaughn Bayou as recorded in

Book 428 Page 259.

Section 2 Township 6 South Range 6 West

All that part of the SW 1/4 of Section 2 lying West of Highway 63 as recorded in Book 417 Page 468, Book 419 Page 57, Book 444 Page 36, Book 414 Page 163, Book 419 Page 557, Book 423 Page 160, Book 448 Page 282, Book 455 Page 401 and Book 455 Page 400.

A tract of land in the A. Goodwin Claim, Section Thirty-five (35) and the Kirkwood Claim, Section Forty-two (42), both in Township Five (5) South, Range Six (6) West, Jackson County, described as follows:

Beginning at a point 75 feet West of the Southeast corner of the A. Goodwin Claim Section 35, Township 5 South, Range 6 West, on the West margin of the County Road known as "River Road" (Now Mississippi State Highway No. 63) and thence run West along the South boundary line of the aforesaid A. Goodwin Claim No. 35, 1575 feet; thence North 1609.50 feet; thence East 295 feet; thence South 69 degrees and 19 minutes East 885 feet to the West margin of the County Road known as "River Road" (Now Mississippi State Highway No. 63); thence Southerly along the West margin of said Road South 6 degrees and 24 minutes West 100 feet; thence South 1 degree and 34 minutes East 100 feet; thence South 7 degrees and 44 minutes East 100 feet; thence South 9 degrees and 33 minutes East 100 feet; thence South 12 degrees and 46 minutes East 200 feet; thence South 16 degrees and 30 minutes East 100 feet; thence South 25 degrees and 12 minutes East 100 feet; thence South 30 degrees and 45 minutes East 200 feet; thence South 34 degrees and 22 minutes East 300 feet; thence South 23 degrees and 20 minutes East 108.7 feet to the point of beginning.

LESS AND EXCEPT those certain parcels sold to David Thomas Pinter and sold to Erbie Gene Bailey and wife all as recorded in Deed Book 250 Page 336

394	168 and 171
399	420
407	170

LESS AND EXCEPT any part of the above described land which lies East of the New Mississippi Highway No. 63 as now laid out and used. As recorded in Book 423 Page 157.

together with all improvements and appurtenances now or hereafter erected on, and all fixtures of

any and every description now or hereafter attached to, said land (all being herein referred to as the "Property"). Debtor reserves the right to execute with Trustee (without the consent of Secured Party), an amendment to this instrument substituting for the property collateral having a value in the judgment of Debtor not less than the then unpaid principal amount of the Note.

THIS CONVEYANCE, HOWEVER, IS IN TRUST to secure prompt performance by Debtor to Secured Party as described hereinabove under the provisions of this Deed of Trust. If Debtor shall discharge its obligation to Secured Party according to the tenor of the Loan Agreement and Note described hereinabove and shall perform all covenants made by Debtor to Secured Party herein, then this conveyance shall be void and of no effect. If Debtor shall be in default in the performance of its obligations under its Loan Agreement and Note described hereinabove, then, in that event, Trustee shall, at the request of Secured Party, sell the Property conveyed, or a sufficiency thereof, to satisfy the Indebtedness at public outcry to the highest bidder for cash. Sale of the property shall be advertised for three consecutive weeks preceding the sale in a newspaper published in the county where the Property is situated, or if none is so published, then in some newspaper having a general circulation therein, and by posting a notice for the same time at the courthouse of the same county. The notice and advertisement shall disclose the names of the original Debtor in this Deed of Trust.

Secured Party shall have the same right to purchase the property at the foreclosure sale as would a purchaser who is not a party to this Deed of Trust. Debtor waives the provisions of Section 89-1-55 of the Mississippi Code of 1972, as amended, if any, as far as this section restricts the right of Trustee to offer at sale more than 160 acres at a time, and Trustee may offer the property herein as a whole, regardless of how it is described.

From the proceeds of the sale Trustee shall first pay all costs of the sale including

reasonable compensation to Trustee; then the Indebtedness due Secured Party by Debtor, including accrued interest and attorney's fees due for collection of the debt; and then, lastly, any balance remaining to Debtor.

IT IS AGREED that this conveyance is made subject to the covenants, stipulations and conditions set forth below which shall be binding upon all parties hereto.

1. Debtor shall pay all taxes and assessments, general or special, levied against the Property or upon the interest of Trustee or Secured Party therein, during the term of this Deed of Trust before such taxes or assessments become delinquent, except to the extent the same may be contested.

2. Debtor shall keep the Property in good repair and shall not permit or commit waste, impairment or deterioration thereof. Debtor shall use the Property for lawful purposes only.

3. Debtor shall be in default under the provisions of this Deed of Trust if Debtor shall default in the performance according to the tenor of the Loan Agreement and Note described hereinabove.

4. Secured Party may by giving 30 days written notice to the original or any successor Trustee, and to Debtor, appoint another person or succession of persons to act as Trustee, and such appointee in the execution of this trust shall have all the powers vested in and obligations imposed upon Trustee.

5. This Deed of Trust and the rights of the Secured Party hereunder are subordinate in their entirety to the lien of that certain Mortgage Indenture dated as of September 1, 1941 and recorded in the Records of the Mortgages and Deeds of Trust on Land in Jackson County, Mississippi, executed by the Debtor named herein, with The Chase Manhattan Bank, as Trustee for the benefit of the holders of certain obligations of Debtor (the "Trust Indenture"). This Deed of

Trust, and the rights of the Secured Party hereunder, are also subordinate to the rights of the Trustee named in the Trust Indenture and the parties secured thereby with respect to any future indebtedness issued by the Debtor and secured by the Trust Indenture as it is now constituted and as it may be subsequently supplemented and/or amended. In the event the Debtor shall elect to sell all or part of the property secured hereby and Debtor's obligations secured by the Trust Indenture shall not have been fully satisfied at the time of such sale, the entire proceeds from such a sale shall be paid over by Debtor to the Trustee under the Trust Indenture and the Secured Party named herein shall have no right to receive any part thereof unless and until all obligations then secured by the Trust Indenture shall be fully paid. A release by the Trustee named in the Trust Indenture, or any successor thereto, of all or of any of such property so sold shall constitute a release of the lien of this Deed of Trust by the Secured Party named herein; Secured Party, by accepting this Deed of Trust, hereby appoints the Trustee for the Trust Indenture as its agent and attorney-in-fact for the purpose of releasing from the lien of this Deed of Trust all or any parts of the property described herein in the event of a sale of all or any part thereof by the Debtor; and, in such event, Secured Party disclaims any right to receive any of the proceeds from any such sale unless Debtor shall at the time be in default under the terms of its Note secured hereby; and then only to the extent that all of the obligations of the Debtor then secured by the Trust Indenture are first satisfied.

6. Notices required herein from Secured Party to Debtor shall be sent to the address of Debtor shown in this Deed of Trust.

IN WITNESS WHEREOF, Debtor has executed this Deed of Trust on the 1st day of July, 1997.

Attest:

By: Lynda G. Malone

GULF POWER COMPANY, Debtor

By: [signature]
Its: Vice-President

(SEAL)

STATE OF Florida

COUNTY OF Escambia

PERSONALLY appeared before me, the undersigned authority in and for the said county and state, on this 1st day of July, 1997, within my jurisdiction, the within named ~~Lloyd~~ D. Edwin Hallard Jr. and Linda Malone, who acknowledged that they are the Vice President and Assistant Secretary respectively of Gulf Power Company, a Maine corporation, and that for and on behalf of the said corporation, and as its act and deed they executed the above and foregoing instrument, after first having been duly authorized by said corporation so to do.

Linda C. Webb

NOTARY PUBLIC.
Linda C. Webb

My Commission Expires:
May 31, 1998
(SEAL)

LINDA C. WEBB
Notary Public-State of FL
Comm. Exp: May 31,1998
Comm. No: CC 382703

Indexing Instructions: All quarter quarter sections in Sections 15, 14, 11, 10, 9, 4, 37 and 2, all in Township 6 South, Range 6 West; and all quarter quarter sections in the A. Goodwin Claim, Section 35, and the Kirkwood Claim, Section 42, both in Township 5 South, Range 6 West, Jackson County, Mississippi.

Instrument Prepared by. Brenda V. Znachko, Eaton and Cottrell, P.A., 1310 Twenty-Fifth Avenue, P.O. Box 130, Gulfport, MS 39502; (601) 864-9900

STATE OF Florida

COUNTY OF Escambia

TRANSFER AND ASSIGNMENT

For value received the undersigned hereby transfers, assigns, and conveys without recourse unto First Union National Bank, as "Trustee" pursuant to that certain Trust Indenture dated as of July 1, 1997, between Escambia County, Florida, and First Union National Bank, all its right, title, interest, powers and options in, to and under the within Subordinate Land Deed of Trust from Gulf Power Company to the undersigned as well as to the land described therein and the indebtedness secured thereby.

IN WITNESS WHEREOF, the undersigned has hereunto set its hand and seal as of July 1, 1997.

ESCAMBIA COUNTY, FLORIDA

Signed, sealed and delivered in the presence of:

By: _____

Title: THOMAS G. BANIANIN, CHAIRMAN

Witness

Attest: _____

Title: _____

Shirley L Gafford

Notary Public

ATTEST: ERNIE LEE MAGAHA
CLERK OF THE CIRCUIT COURT
By _____
Deputy Clerk

Commission Data:

SHIRLEY L. GAFFORD
"Notary Public-State of Florida"
My Commission Expires Aug. 1, 1999
CC 483495

STATE OF MISSISSIPPI

COUNTY OF JACKSON

$3,930,000

SUBORDINATE LAND DEED OF TRUST

THIS INDENTURE, made and entered into this day by and among Gulf Power Company whose address is 500 Bayfront Parkway, Pensacola, FL 32501, as Grantor (herein designated as "Debtor"), Ben H. Stone, as Trustee, and Jackson County, Florida, as beneficiary (herein designated as "Secured Party"),

WITNESSETH:

WHEREAS, Debtor is indebted to Secured Party in the full principal sum of Three Million Nine Hundred Thirty Thousand Dollars ($3,930,000) evidenced by Debtor's Promissory Note issued of even date herewith in favor of Secured Party (the "Note") pursuant to the Loan Agreement between Debtor and Secured Party dated as of July 1, 1997, said indebtedness bearing interest as specified in the Note being due and payable as set forth in the above described Loan Agreement and Note. Unless sooner paid, the final maturity date of the indebtedness evidenced by the said Note is July 1, 2022.

NOW, THEREFORE, in consideration of the Indebtedness and obligations herein recited, Debtor hereby conveys and warrants unto Trustee, Debtor's undivided one-half (1/2) interest in the land together with all improvements thereon described below situated in the County of Jackson, State of Mississippi:

> A steam plant site at or near Cumbest Bluff in Jackson County, Mississippi, or known as the Jackson County Steam Plant site ("Plant Victor J. Daniel") on land recorded in the office of the Chancery Clerk of Jackson County and described as follows:
>
> Section 15 Township 6 South Range 6 West

Lots 1 and 2 as recorded in Book 416 Page 299 and Book 428 Page 259.

Section 14 Township 6 South Range 6 West

Beginning at the Northeast corner of Section 14, Township 6 South, Range 6 West, and run thence South along the East line of said Section 14 a distance of 2030 feet to a point, run thence West a distance of 380 feet to a point, thence South 3 degrees 30 minutes East a distance of 125 feet to a point, run thence West a distance of 730 feet to Clark Bayou, run thence Southwesterly along the meanderings of Clark Bayou 6,560 feet, more or less, to the Southwest corner of Section 14, thence North along the West section line of Section 14 to the Northwest corner of said section, thence run East along the North line of Section 14 a distance of 5251 feet, more or less, to the Northeast corner of said Section 14 and the Point of Beginning, less and except that part to Miss. State Highway Dept. recorded in Book 172 Pages 585-6, all as recorded in Book 439 Page 467-70.

Section 11 Township 6 South Range 6 West

All that part of the SE 1/4 of SE 1/4 East of Mississippi State Highway 63; all of Section 11 West of Highway 63 all being recorded in Book 439 Page 467-70, Book 434 Page 601, Book 434 Page 664, Book 434 Page 600, Book 442 Page 155, and Book 441 Page 327.

Section 10 Township 6 South Range 6 West

All of the entire Section as recorded in Book 428 Page 259, Book 448 Page 288, Book 449 Page 418, Book 449 Page 507.

Section 9 Township 6 South Range 6 West

All that part East of Pascagoula River as recorded in Book 428 Page 259.

Section 4 Township 6 South Range 6 West

All that part East of Pascagoula River and South of Vaughn Bayou, as recorded in Book 428 Page 259.

Section 37 Township 6 South Range 6 West

All that part of Allen Goodwin Private Claim 37 that would have

been the S 1/2 of Regular Section 3, if regularly surveyed, less and except that part lying Northwest of Vaughn Bayou as recorded in Book 428 Page 259.

Section 2 Township 6 South Range 6 West

All that part of the SW 1/4 of Section 2 lying West of Highway 63 as recorded in Book 417 Page 468, Book 419 Page 57, Book 444 Page 36, Book 414 Page 163, Book 419 Page 557, Book 423 Page 160, Book 448 Page 282, Book 455 Page 401 and Book 455 Page 400.

A tract of land in the A. Goodwin Claim, Section Thirty-five (35) and the Kirkwood Claim, Section Forty-two (42), both in Township Five (5) South, Range Six (6) West, Jackson County, described as follows:

Beginning at a point 75 feet West of the Southeast corner of the A. Goodwin Claim Section 35, Township 5 South, Range 6 West, on the West margin of the County Road known as "River Road" (Now Mississippi State Highway No. 63) and thence run West along the South boundary line of the aforesaid A. Goodwin Claim No. 35, 1575 feet; thence North 1609.50 feet; thence East 295 feet; thence South 69 degrees and 19 minutes East 885 feet to the West margin of the County Road known as "River Road" (Now Mississippi State Highway No. 63); thence Southerly along the West margin of said Road South 6 degrees and 24 minutes West 100 feet; thence South 1 degree and 34 minutes East 100 feet; thence South 7 degrees and 44 minutes East 100 feet; thence South 9 degrees and 33 minutes East 100 feet; thence South 12 degrees and 46 minutes East 200 feet; thence South 16 degrees and 30 minutes East 100 feet; thence South 25 degrees and 12 minutes East 100 feet; thence South 30 degrees and 45 minutes East 200 feet; thence South 34 degrees and 22 minutes East 300 feet; thence South 23 degrees and 20 minutes East 108.7 feet to the point of beginning.

LESS AND EXCEPT those certain parcels sold to David Thomas Pinter and sold to Erbie Gene Bailey and wife all as recorded in Deed Book 250 Page 336

394	168 and 171
399	420
407	170

LESS AND EXCEPT any part of the above described land which lies East of the New Mississippi Highway No. 63 as now laid out and used. As recorded in Book 423 Page 157.

together with all improvements and appurtenances now or hereafter erected on, and all fixtures of any and every description now or hereafter attached to, said land (all being herein referred to as the "Property"). Debtor reserves the right to execute with Trustee (without the consent of Secured Party), an amendment to this instrument substituting for the property collateral having a value in the judgment of Debtor not less than the then unpaid principal amount of the Note.

THIS CONVEYANCE, HOWEVER, IS IN TRUST to secure prompt performance by Debtor to Secured Party as described hereinabove under the provisions of this Deed of Trust. If Debtor shall discharge its obligation to Secured Party according to the tenor of the Loan Agreement and Note described hereinabove and shall perform all covenants made by Debtor to Secured Party herein, then this conveyance shall be void and of no effect. If Debtor shall be in default in the performance of its obligations under its Loan Agreement and Note described hereinabove, then, in that event, Trustee shall, at the request of Secured Party, sell the Property conveyed, or a sufficiency thereof, to satisfy the Indebtedness at public outcry to the highest bidder for cash. Sale of the property shall be advertised for three consecutive weeks preceding the sale in a newspaper published in the county where the Property is situated, or if none is so published, then in some newspaper having a general circulation therein, and by posting a notice for the same time at the courthouse of the same county. The notice and advertisement shall disclose the names of the original Debtor in this Deed of Trust.

Secured Party shall have the same right to purchase the property at the foreclosure sale as would a purchaser who is not a party to this Deed of Trust. Debtor waives the provisions of Section 89-1-55 of the Mississippi Code of 1972, as amended, if any, as far as this section restricts the right of Trustee to offer at sale more than 160 acres at a time, and Trustee may offer the property herein as a whole, regardless of how it is described.

From the proceeds of the sale Trustee shall first pay all costs of the sale including reasonable compensation to Trustee; then the Indebtedness due Secured Party by Debtor, including accrued interest and attorney's fees due for collection of the debt; and then, lastly, any balance remaining to Debtor.

IT IS AGREED that this conveyance is made subject to the covenants, stipulations and conditions set forth below which shall be binding upon all parties hereto.

1. Debtor shall pay all taxes and assessments, general or special, levied against the Property or upon the interest of Trustee or Secured Party therein, during the term of this Deed of Trust before such taxes or assessments become delinquent, except to the extent the same may be contested.

2. Debtor shall keep the Property in good repair and shall not permit or commit waste, impairment or deterioration thereof. Debtor shall use the Property for lawful purposes only.

3. Debtor shall be in default under the provisions of this Deed of Trust if Debtor shall default in the performance according to the tenor of the Loan Agreement and Note described hereinabove.

4. Secured Party may by giving 30 days written notice to the original or any successor Trustee, and to Debtor, appoint another person or succession of persons to act as Trustee, and such appointee in the execution of this trust shall have all the powers vested in and obligations imposed upon Trustee.

5. This Deed of Trust and the rights of the Secured Party hereunder are subordinate in their entirety to the lien of that certain Mortgage Indenture dated as of September 1, 1941 and recorded in the Records of the Mortgages and Deeds of Trust on Land in Jackson County, Mississippi, executed by the Debtor named herein, with The Chase Manhattan Bank, as Trustee for

the benefit of the holders of certain obligations of Debtor (the "Trust Indenture"). This Deed of Trust, and the rights of the Secured Party hereunder, are also subordinate to the rights of the Trustee named in the Trust Indenture and the parties secured thereby with respect to any future indebtedness issued by the Debtor and secured by the Trust Indenture as it is now constituted and as it may be subsequently supplemented and/or amended. In the event the Debtor shall elect to sell all or part of the property secured hereby and Debtor's obligations secured by the Trust Indenture shall not have been fully satisfied at the time of such sale, the entire proceeds from such a sale shall be paid over by Debtor to the Trustee under the Trust Indenture and the Secured Party named herein shall have no right to receive any part thereof unless and until all obligations then secured by the Trust Indenture shall be fully paid. A release by the Trustee named in the Trust Indenture, or any successor thereto, of all or of any of such property so sold shall constitute a release of the lien of this Deed of Trust by the Secured Party named herein; Secured Party, by accepting this Deed of Trust, hereby appoints the Trustee for the Trust Indenture as its agent and attorney-in-fact for the purpose of releasing from the lien of this Deed of Trust all or any parts of the property described herein in the event of a sale of all or any part thereof by the Debtor; and, in such event, Secured Party disclaims any right to receive any of the proceeds from any such sale unless Debtor shall at the time be in default under the terms of its Note secured hereby; and then only to the extent that all of the obligations of the Debtor then secured by the Trust Indenture are first satisfied.

6. Notices required herein from Secured Party to Debtor shall be sent to the address of Debtor shown in this Deed of Trust.

IN WITNESS WHEREOF, Debtor has executed this Deed of Trust on the 1st day of July, 1997.

Attest:

By: Linda G. Malone

GULF POWER COMPANY, Debtor

By: W. Edgar Hall Jr.

Its: Vice-President

(SEAL)

STATE OF Florida

COUNTY OF Escambia

PERSONALLY appeared before me, the undersigned authority in and for the said county and state, on this 1st day of July, 1997, within my jurisdiction, the within named G. Edison Holland, Jr. and Linda Malone, who acknowledged that they are the Vice President and Assistant Secretary respectively of Gulf Power Company, a Maine corporation, and that for and on behalf of the said corporation, and as its act and deed they executed the above and foregoing instrument, after first having been duly authorized by said corporation so to do.

Linda C Webb

NOTARY PUBLIC
Linda C Webb

My Commission Expires:

May 31, 1998
(SEAL)

LINDA C. WEBB
Notary Public-State of FL
Comm. Exp: May 31,1998
Comm. No: CC 382703

Indexing Instructions: All quarter quarter sections in Sections 15, 14, 11, 10, 9, 4, 37 and 2, all in Township 6 South, Range 6 West; and all quarter quarter sections in the A. Goodwin Claim, Section 35, and the Kirkwood Claim, Section 42, both in Township 5 South, Range 6 West, Jackson County, Mississippi.

Instrument Prepared by: Brenda V. Znachko, Eaton and Cottrell, P.A., 1310 Twenty-Fifth Avenue, P.O. Box 130, Gulfport, MS 39502; (601) 864-9900

STATE OF Florida

COUNTY OF Jackson

TRANSFER AND ASSIGNMENT

For value received the undersigned hereby transfers, assigns, and conveys without recourse unto First Union National Bank, as "Trustee" pursuant to that certain Trust Indenture dated as of July 1, 1997, between Jackson County, Florida, and First Union National Bank, all its right, title, interest, powers and options in, to and under the within Subordinate Land Deed of Trust from Gulf Power Company to the undersigned as well as to the land described therein and the indebtedness secured thereby.

IN WITNESS WHEREOF, the undersigned has hereunto set its hand and seal as of July 1, 1997.

JACKSON COUNTY, FLORIDA

Signed, sealed and delivered in the presence of:

Witness

By: Charles A Carter

Title: Chairman

Attest: Dale Rabon Guthrie

Title: Clerk of Courts

Notary Public

Commission Date:

FRANK A. NOTARY PUBLIC STATE OF FLORIDA

$37,000,000

ESCAMBIA COUNTY, FLORIDA
Pollution Control Revenue Refunding Bonds
(Gulf Power Company Project)
Series 1997

PLACEMENT AGREEMENT

Board of County Commissioners
Escambia County, Florida

Ladies and Gentlemen:

The undersigned SunTrust Bank, Atlanta, as placement agent of the above-mentioned issuance (the "Placement Agent"), hereby offers to enter into this Placement Agreement with you (the "County") to use its best efforts as Placement Agent to arrange for the sale by the County of $37,000,000 aggregate principal amount of its Pollution Control Revenue Refunding Bonds (Gulf Power Company Project), Series 1997 (the "Bonds").

Upon the effectiveness of this Placement Agreement, Gulf Power Company (the "Company") is executing and delivering concurrently therewith a Letter of Representation, dated the date hereof (the "Letter of Representation") and in the form of Exhibit F hereto, wherein the Company will undertake certain obligations with respect to this Placement Agreement. Defined terms used herein and not otherwise defined herein shall have the meanings ascribed to such terms in the Limited Offering Memorandum (as hereinafter defined).

1. Upon the terms and conditions and upon the basis of the representations, warranties and covenants set forth herein and in the Letter of Representation, the County hereby agrees to sell the Bonds to the purchasers thereof as herein provided and the Placement Agent hereby agrees to use its best efforts to arrange for the sale of the Bonds for a purchase price of 100% of the principal amount of the Bonds, and the Company agrees to pay $74,000 to the Placement Agent as a placement fee (the "Fee").

2. The Bonds shall be as described in and shall be issued under and secured by a Trust Indenture, dated as of July 1, 1997 (the "Indenture"), by and between the County and First Union National Bank, as trustee (the "Trustee"), to be executed and delivered on or prior to the Closing Date (as hereinafter defined). The County will execute and deliver a Blanket Issuer Letter of Representations (the "DTC Letter") covering the Bonds to The Depository Trust Company ("DTC"). The Bonds shall be issued as required by the provisions of a Loan Agreement, dated as of July 1, 1997 (the "Agreement"), between the County and the Company to be executed and delivered on or prior to the Closing Date providing, among other things, for the undertaking by the County to loan amounts to the Company in order to refund certain of the County's bonds heretofore issued in connection with the acquisition, construction and installation of the certain air and water pollution control and solid waste disposal facilities installed as a part of the Company's Crist Steam Plant in Escambia County, Florida and Lansing Smith Plant in Bay County, Florida (collectively, the "Projects"). To evidence the loan made pursuant to the Agreement, the Company will execute and deliver, concurrently with the issuance of the Bonds, a non-negotiable promissory note (the "Note") in a like principal amount bearing interest at the rate or rates borne by the Bonds. The Bonds are more fully described in the Limited Offering Memorandum, dated the date hereof. As used in this Placement Agreement, the term "Limited Offering Memorandum" means

the Limited Offering Memorandum, dated the date hereof, including the Appendix thereto (the "Appendix") and the documents incorporated by reference in the Appendix at such date

3. At the time of or before the acceptance by the County hereof, the County shall deliver to the Placement Agent a copy of the Limited Offering Memorandum executed on behalf of the County by the Chairman or Vice Chairman or other authorized representative of the County.

The County authorizes the use of the Limited Offering Memorandum, the Agreement and the Indenture, and the information therein contained, by the Placement Agent in connection with the public offering and sale of the Bonds. The County ratifies and confirms the use by the Placement Agent prior to the date hereof of the Preliminary Limited Offering Memorandum of the County, dated June 24, 1997 (the "Preliminary Limited Offering Memorandum"), in connection with the sale of the Bonds

The County deemed the Preliminary Limited Offering Memorandum final as of its date except for the omission of no more than the following information: the offering prices, interest rates, selling compensation, aggregate principal amount, principal amount per maturity, delivery dates, ratings, and other terms of the securities depending on such matters. The County shall provide to the Placement Agent sufficient quantities of the Limited Offering Memorandum which the County deems complete as of its date, executed by the Chairman or Vice Chairman or other authorized representative of the County, in substantially the same form as the Preliminary Limited Offering Memorandum, subject to minor additions, deletions and revisions, within seven business days after the effective date of this Placement Agreement and in sufficient time to accompany any confirmation that requires payment from any customer. The County agrees to notify the Placement Agent and the Company of any material developments impacting the County or the Bonds, of which the County becomes aware, within 90 days after delivery of the Bonds.

4 The County represents and warrants to the Placement Agent and the Company that

(a) The County is a validly existing political subdivision of the State of Florida. The County has full legal right, power and authority under the laws of the State of Florida, including particularly the Florida Industrial Development Financing Act, which, as amended, appears as Part II of Chapter 159, Florida Statutes, Sections 159.25 to 159.431, inclusive (the "Act"), to issue the Bonds; to loan the proceeds of the Bonds to the Company for the purpose of refinancing the acquisition, construction and installation of the Projects, which loan is to be made under the Agreement; to assign under the Indenture substantially all of its rights in and to the Note and the Agreement as security for the payment of the principal of, premium, if any, and interest on the Bonds; to enter into and comply with the provisions of the DTC Letter; to accept the Letter of Representation; to sell and deliver the Bonds to the Placement Agent as provided herein; and to carry out and consummate all other transactions contemplated on the part of the County by each of the aforesaid documents and the Limited Offering Memorandum.

(b) The County has complied with all provisions of the Constitution of the State of Florida and the Act and has full power and authority to consummate all transactions contemplated on the part of the County by the Limited Offering Memorandum, this Placement Agreement, the Bonds, the Indenture, the Agreement and any and all other agreements relating thereto.

(c) The County has duly authorized all necessary action to be taken by it for: (i) the issuance and sale of the Bonds upon the terms set forth herein and in the Limited Offering Memorandum; (ii) the execution and delivery by it of the Indenture providing for the issuance of and security for the Bonds and the appointment of the Trustee as trustee, paying agent and bond registrar under the Indenture; (iii) the approval of the Limited Offering Memorandum and the signing of the Limited Offering Memorandum by its Chairman or Vice Chairman or other authorized representative; (iv) the lending of the proceeds of the Bonds to the Company; (v) the execution, delivery, receipt and due performance of this Placement Agreement, the Bonds, the Indenture, the Agreement, the DTC Letter and any and all such other agreements and documents as may be required to be executed, delivered and received by the County in order to carry out, give effect to and

consummate the transactions contemplated thereby and by the Limited Offering Memorandum; (vi) the acceptance of the Letter of Representation; and (vii) the carrying out, giving effect to and consummation of the transactions contemplated on the part of the County by this Placement Agreement, the Limited Offering Memorandum, the Indenture and the Agreement.

(d) With respect to the information contained under the caption "The Counties", the Limited Offering Memorandum will not include any untrue statement of a material fact or omit to state any material fact necessary to make the statements made therein, in the light of the circumstances under which they were made, not misleading.

(e) The Bonds, when issued, delivered and paid for as herein and in the Indenture provided, will have been duly authorized and issued and will constitute valid and binding obligations of the County enforceable in accordance with their terms and entitled to the benefits and security of the Indenture and Agreement. The Bonds and the interest thereon do not pledge the credit of the County or the State of Florida, nor are they a charge against the general revenues of such entities or a lien against any of their property except as provided for in the Indenture. The Bonds are limited special obligations of the County and no taxes will be levied for the payment of principal of, premium, if any, and interest on the Bonds, such principal, premium and interest being payable solely out of the moneys to be received by the County from repayment of the Note

(f) The County has provided under the Indenture and the Loan Agreement that the Trustee and the Company will apply the proceeds from the sale of the Bonds as specified in the Indenture and the Agreement.

(g) The execution and delivery of the Limited Offering Memorandum, this Placement Agreement, the Bonds, the Indenture, the Agreement, the DTC Letter and the other agreements contemplated on the part of the County hereby and by the Limited Offering Memorandum and compliance on the part of the County with the provisions thereof and the pledge and assignment to the Trustee of the Note and the Agreement and acceptance of and compliance with the provisions of the Letter of Representation will not conflict with or constitute on the part of the County a breach of or a default under any existing law, court or administrative regulation, decree or order or any agreement, indenture, mortgage, lease or other instrument to which the County is subject or by which it is or may be bound, or to the knowledge of the County, any order, rule or regulation applicable to the County of any court or governmental agency or body having jurisdiction over the County or any of its activities or properties; and all consents, approvals, authorizations and orders of governmental or regulatory authorities which are required for the consummation by the County of the transactions contemplated on the part of the County by said documents have been obtained.

(h) There is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, public board or body, pending or, to the knowledge of the County, threatened against or directly affecting the County, (i) to restrain or enjoin the issuance and sale of the Bonds or the execution, delivery or performance by the County of the Agreement or the Indenture or (ii) wherein an unfavorable decision, ruling or finding would (A) have a material adverse effect on the transactions contemplated hereby or by the Limited Offering Memorandum (excluding the Appendix thereto and the documents incorporated in the Appendix by reference), (B) adversely affect or put in question the validity or enforceability of the Bonds, the Indenture, the Agreement, the DTC Letter, this Placement Agreement, the Letter of Representation or any other agreement, instrument or document to which the County is a party or by which it is bound relating to the consummation of the transactions contemplated hereby or by the Limited Offering Memorandum (excluding the Appendix thereto and the documents incorporated in the Appendix by reference), or (C) adversely affect the tax-exempt status of the Bonds.

(i) The County will not knowingly take or omit to take any action the taking or omission of which will cause the proceeds from the sale of the Bonds to be applied in a manner contrary to that provided for in the Indenture and the Agreement, as amended from time to time.

(j) Any certificate signed by an authorized officer of the County delive ed to the Placement Agent shall be deemed to be a representation and warranty by the County to the Placement Agent as to the statements made therein.

(k) Except for bonds upon which the County is not obligated to pay principal or interest ("Conduit Bonds") the County has not since December 31, 1975 defaulted in the payment of the principal of or interest on any of its bonds, notes, warrants or any other securities or any legally authorized obligation issued by the County and, except for Conduit Bonds, is not currently in default in the payment of any such principal or interest.

(l) The County has not been notified of any listing or proposed listing by the Internal Revenue Service to the effect that the County is a bond issuer whose arbitrage certifications may not be relied upon

5. At 9:00 A.M. Pensacola Time, on July 1, 1997, or at such other time or on such earlier or later business day as shall have been mutually agreed upon by the County and the Placement Agent with the consent of the Company (the "Closing Date"), the County will deliver to the Placement Agent the Bonds in definitive form, duly executed and authenticated, together with the other documents hereinafter mentioned, and, upon payment by the Company to the Placement Agent of the Fee in immediately available funds, the Placement Agent will accept such delivery of the Bonds and pay the purchase price therefor in immediately available funds, payable to the order of the Trustee for the account of the County. The Bonds so delivered will be in form acceptable for deposit with DTC and shall be registered in such names as the Placement Agent may request no less than two business days prior to the Closing Date and will be available for checking and packaging by the Placement Agent at a place suitable therefor at least 20 hours prior to the Closing Date.

6. The Placement Agent's obligations hereunder to accept delivery on behalf of the purchasers and pay for the Bonds shall be subject to the performance by the County of its obligations to be performed hereunder at or prior to the Closing Date; to the payment by the Company of the Fee and the performance by the Company of the other obligations and agreements to be performed by it at or prior to the Closing Date hereunder and under the Letter of Representation; and to the accuracy in all material respects of the representations and warranties of the County and of the Company contained herein and in the Letter of Representation, respectively, as of the date hereof and as of the Closing Date, and shall also be subject to the following conditions:

(a) At the Closing Date, the Indenture, the Agreement, the Note and the Letter of Representation shall have been duly authorized, executed and delivered by the respective parties thereto and shall be in full force and effect, and shall not have been materially amended, modified or supplemented except as may have been agreed to in writing by the Placement Agent; provided, however, that the acceptance of delivery of the Bonds by the Placement Agent on the Closing Date shall be deemed to constitute such agreement pursuant to the foregoing.

(b) At the Closing Date, the Bonds shall have been duly authorized, executed and authenticated in accordance with the provisions of the Indenture.

(c) No amendment or supplement to the Limited Offering Memorandum filed subsequent to the date hereof (including any filing made by the Company pursuant to Section 13 or 14 of the Securities Exchange Act of 1934, as amended (the "Exchange Act")) shall be unsatisfactory in form to Dewey Ballantine or shall contain information ... ner than with respect to an amendment or supplement relating solely to the activity of the Placement Agent) which, in the reasonable judgment of the Placement Agent, shall materially impair the marketability of the Bonds.

(d) At or prior to the Closing Date, no order, decree or injunction of any court of competent jurisdiction, nor any order, ruling, regulation or administrative proceeding by any governmental official, body or board, shall have been issued or commenced, nor shall any legislation have been enacted, with the purpose

or effect of prohibiting the issuance, offering or sale of the Bonds as contemplated hereby or by the Limited Offering Memorandum or the execution or performance of the Indenture, the Agreement or the Note in accordance with their respective terms.

(e) At the Closing Date, there shall be in full force and effect appropriate orders of the Securities and Exchange Commission and the Florida Public Service Commission authorizing the participation of the Company in the transactions contemplated hereby and by the Limited Offering Memorandum (excluding the Appendix thereto and the documents incorporated in the Appendix by reference).

(f) At or prior to the Closing Date, the Placement Agent shall have received the following documents:

(1) Executed counterparts, or certified copies, of the Agreement, the DTC Letter, the Remarketing Agreement (as defined in the Letter of Representation), the Indenture, the Letter of Representation and the Note.

(2) Executed copies or photocopies of the applications to, including all amendments, and orders of, the Securities and Exchange Commission and the Florida Public Service Commission authorizing the participation of the Company in the transactions contemplated hereby and by the Limited Offering Memorandum.

(3) Opinions dated the Closing Date, with such changes as the Placement Agent shall approve, of (i) Balch & Bingham, LLP, Bond Counsel, substantially in the form annexed hereto as Exhibits A-1 and A-2; (ii) Beggs & Lane, General Counsel for the Company, substantially in the form annexed hereto as Exhibit B (iii) Troutman Sanders LLP, Counsel for the Company, substantially in the form annexed hereto as Exhibit C; and (iv) Dewey Ballantine, Counsel for the Placement Agent, substantially in the form annexed hereto as Exhibit D, and such counsel shall have been furnished with such documents as they may request for the purpose of enabling them to pass upon the matters to be covered by their respective opinions.

(4) An opinion, dated the Closing Date, of counsel for the County, addressed also to Balch & Bingham LLP, to the effect that: (A) the County is a duly constituted political subdivision of the State of Florida, and in good standing under such laws and is authorized to exercise the powers under the Act, (B) the County has full legal right, power and authority (i) to adopt the resolution authorizing the Bonds (the "Resolution"), (ii) to enter into the Placement Agreement, the Agreement, the DTC Letter and the Indenture, (iii) to issue and deliver the Bonds to the Placement Agent as provided in the Placement Agreement, and (iv) to carry out and consummate all other transactions contemplated by each of the aforesaid documents, and the County has complied with the provisions of the Act in all matters relating to such transaction, (C) the County has duly authorized (i) the execution, delivery and due performance of the Placement Agreement, the Bonds, the Agreement, the DTC Letter and the Indenture, (ii) the execution and delivery of the Limited Offering Memorandum dated June 30, 1997 relating to the Bonds by the County and (iii) the taking of any and all such action as may be required on the part of the County to carry out, give effect to and consummate the transactions contemplated by such instruments, (D) the Indenture, the Agreement, the DTC Letter and the Placement Agreement have been duly authorized, executed and delivered by the County and, assuming the due authorization, execution and delivery by the other respective parties thereto, the Indenture, the Agreement, the DTC Letter and the Placement Agreement constitute valid, legally binding and enforceable obligations of the County, except to the extent that their enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting the enforcement of creditors' rights generally and principles of equity affecting the availability of specific performance or other equitable relief, (E) the Note has been duly assigned to the Trustee, (F) the Resolution has been duly adopted by the County and constitutes the legal, valid and binding act of the County and has not been in any way amended, modified, rescinded or revoked, (G) the adoption of the

Resolution, the execution and delivery of the Placement Agreement, the Bonds, the DTC Letter, the Agreement and the Indenture, the acceptance of the Letter of Representation and compliance with the provisions of each of such instruments will not conflict with or constitute a breach of, or default under, any commitment, agreement or other instrument to which the County is a party or by which it is bound, or under any existing law, rule, regulation, ordinance, judgement, order of decree to which the County is subject, (H) to their knowledge, there is no action, suit, proceeding, inquiry or investigation, at law or in equity, or before or by any court, public board or body, pending against or affecting the County, wherein an unfavorable decision, ruling or finding would materially adversely affect the transactions contemplated by the Placement Agreement or the transactions contemplated by the Limited Offering Memorandum, or which in any way would adversely affect the validity of the Resolution or the validity or enforceability of the Bonds, the Indenture, the Agreement or the Placement Agreement, (I) the County has pledged and assigned to the Trustee pursuant to the Indenture all of the County's right and interest in the Agreement (except for certain payments for indemnification and expenses), (J) the Indenture creates a valid security interest in favor of the Trustee in and to such rights and interests and in and to the trust funds created and held by the Trustee under the Indenture, subject to no prior security interest; and (K) the statements in the Limited Offering Memorandum under the caption "The Counties", insofar as they relate to the County purport to constitute summaries of the matters referred to therein, fairly and accurately summarize the matters summarized therein.

(5) A letter, dated the Closing Date, of Arthur Andersen LLP, substantially to the effect set forth in Exhibit E hereto.

(6) A certificate, satisfactory to the Placement Agent, of the Chairman or Vice Chairman of the County attested by the Clerk or other duly authorized officer of the County satisfactory to the Placement Agent, dated the Closing Date, to the effect that: (A) the County has duly performed all of its obligations to be performed in connection with the issuance and sale of the Bonds at or prior to the Closing Date and each of the representations and warranties of the County contained herein is true and correct as of the Closing Date; (B) the County has authorized, by all necessary action, the execution, delivery, receipt and due performance of the Indenture, the Agreement, the Placement Agreement, the Letter of Representation, the DTC Letter and any and all such other agreements and documents as may be required to be executed, delivered, received and/or performed by the County in order to carry out, give effect to and consummate the transactions contemplated on its part by the Indenture, the Agreement and the Limited Offering Memorandum; (C) no litigation is pending, or to the best of his knowledge threatened against the County, to restrain or enjoin the issuance or sale of the Bonds or in any way affecting any authority for or the validity of the Bonds, the Indenture, the DTC Letter or the Agreement or the existence or powers of the County or the right of the County to loan the proceeds of the Bonds to the Company or the collection of receipts and revenues pledged or to be pledged to pay the principal of, premium, if any, and interest on the Bonds, including without limitation payments under the Agreement or the Note; and (D) neither the execution, delivery, receipt or due performance of the Indenture, the Agreement the Placement Agreement, the DTC Letter or the other agreements contemplated hereby or by the Limited Offering Memorandum under the circumstances contemplated hereby or thereby, nor the compliance by the County with the provisions thereof, nor acceptance of the Letter of Representation, will conflict with or constitute on the part of the County a breach of or a default under any existing law, court or administrative regulation, decree or order or any agreement or other instrument to which the County is subject or by which it is or may be bound.

(7) A certificate, dated the Closing Date, of the President or any Vice President and the Treasurer or an Assistant Treasurer of the Company to the effect that

(i) the representations and warranties contained in Section 1 of the Letter of Representation are true and correct at and as of the Closing Date and that the Company has satisfied all conditions therein contained to be satisfied at or prior to the Closing Date; and

(ii) there has not been any material adverse change in the business, properties or financial condition of the Company from that set forth in or contemplated by the Limited Offering Memorandum.

(8) Evidence satisfactory to the Placement Agent that the Bonds have been rated "A2/VMIG1" by Moody's Investors Service, Inc.

(9) Such additional certificates, instruments and other documents as the Placement Agent or its counsel may deem necessary to evidence the accuracy as of the Closing Date of the representations of the County and the Company contained herein and in the Letter of Representation, respectively, and the due performance or satisfaction by the County and the Company at or prior to such time of all agreements then to be performed and all conditions then to be satisfied by the County and the Company in connection with the issuance of the Bonds.

If the County or the Company shall be unable to satisfy the conditions of the obligations of the Placement Agent contained in this Placement Agreement, or if the obligations of the Placement Agent shall be terminated for any reason permitted by this Placement Agreement, this Placement Agreement shall terminate and neither the Placement Agent nor the County shall be under further obligation hereunder except as otherwise provided in Section 8 hereof.

7. The County agrees to cooperate with the Placement Agent and its counsel and the Company (i) in arranging for the qualification of the Bonds for offer and sale under the securities or "blue sky" laws of such jurisdictions as the Placement Agent may request; provided, however, that the County will not be required to execute a special or general consent to service of process or qualify as a foreign corporation in connection with any such qualification in any jurisdiction, and (ii) in applying for and securing ratings on the Bonds by Moody's Investors Service, Inc. and Standard & Poor's Ratings Group.

8. All expenses and costs incident to the authorization, issuance, printing, sale and delivery, as the case may be, of the Bonds, the Indenture, the Agreement, the Note, the DTC Letter, the Preliminary Limited Offering Memorandum, the Limited Offering Memorandum, the Letter of Representation and this Placement Agreement including without limitation (i) the Fee; (ii) fees and disbursements of counsel for the Placement Agent in connection with the qualification of the Bonds for sale under the securities or "blue sky" laws of various jurisdictions; (iii) the preparation and printing of the "blue sky" survey; (iv) any documentary, stamp or other taxes in connection with the issuance and sale of the Bonds hereunder, (v) all filing, registration and recording fees and expenses; (vi) fees of the Trustee; and (vii) the fees and disbursements of Bond Counsel, Counsel for the Placement Agent and Counsel for the County shall be paid by the Company pursuant to the Letter of Representation. Nothing herein shall be construed to relieve the Placement Agent of its liability for its default hereunder. The Placement Agent shall pay (i) all advertising expenses in connection with the public offering of the Bonds and (ii) all other expenses incurred by them in connection with their public offering and distribution of the Bonds.

9. The Placement Agent may terminate this Placement Agreement by notification to the County and the Company if at any time subsequent to the date hereof and at or prior to the Closing Date (i) legislation shall be enacted by the Congress or adopted by either house thereof or a decision shall be rendered by a federal court, including the Tax Court of the United States, or a ruling, regulation or official statement by or on behalf of the Treasury Department of the United States, the Internal Revenue Service or other governmental agency shall be made, which has the purpose or effect of imposing federal taxation upon receipts, revenues or other income of the general character expected to be derived by the County, including without limitation payments under the Note, or upon interest received on bonds of the same kind and character as the Bonds

which would have the effect of changing directly or indirectly the federal income tax consequences of interest on bonds of the same kind and character as the Bonds in the hands of the holders thereof or (ii) there shall have occurred any outbreak or escalation of major hostilities in which the United States is involved, any declaration of war by the United States Congress or any other substantial national or international calamity or emergency affecting the United States, or there shall have occurred and be continuing beyond one full business day prior to the Closing Date, a general suspension of trading on the New York Stock Exchange or the declaration of a general banking moratorium by United States or New York State authorities; in case of either (i) or (ii), with the result that, in the opinion of the Placement Agent, the marketability of the Bonds shall have been materially and adversely affected thereby.

10. This Placement Agreement shall be governed by and construed in accordance with the laws of the State of Florida.

11 Any notice or other communication to be given to the County under this Placement Agreement may be given by delivering the same in writing to the Board of Commissioners of Escambia County, 223 Palafox Place, Pensacola, Florida 32597, to the attention of the Chairman. Any notice or other communication to be given to the Placement Agent under this Placement Agreement may be given by delivering the same in writing to SunTrust Bank, Atlanta, Georgia, Attn: Henry B. Harris, III.

12. Truth in Bonding Statement. The County is proposing to issue $37,000,000 of Escambia County, Florida Pollution Control Revenue Refunding Bonds (Gulf Power Company Project) Series 1997 (the "Series 1997 Bonds") in order to provide funds for the redemption of $32,000,000 of the outstanding Series 1987 Bonds (as hereinafter defined) and $5,000,000 of the outstanding Series 1992 Bonds (as hereinafter defined). The County has heretofore issued $32,000,000 aggregate principal amount of its Pollution Control Revenue Refunding Bonds (Gulf Power Company Project), Series 1987 (the "Series 1987 Bonds") and $5,000,000 aggregate principal amount of its Pollution Control Revenue Refunding Bonds (Gulf Power Company Project), Series 1992 (the "Series 1992 Bonds"), to provide funds to refinance a portion of the cost of certain air and water pollution control and solid waste disposal facilities at the Crist Steam Plant in Escambia County, Florida and the Lansing Smith Steam Plant in Bay County, Florida, respectively.

The debt or obligation created by the Series 1997 Bonds is expected to be repaid over a period of twenty-five (25) years from the date of issuance, with interest payments commencing August 7, 1997. Because the Series 1997 Bonds bear a variable interest rate, the net interest cost (NIC) will be determined by the interest rate in effect from time to time over the twenty-five (25)-year period.

The County will loan to the Company the proceeds of the Series 1997 Bonds pursuant to a Loan Agreement, dated as of July 1, 1997. In order to evidence the loan from the County and to provide for its repayment, the Company will issue a non-negotiable promissory note (the "Note"). The source of repayment for this proposal to issue the Series 1997 Bonds are the payments required under the Note, which will be sufficient to pay when due the principal of, premium, if any, and interest on the Series 1997 Bonds.

13 Public Entity Crime Statement. Reference is made to Florida Statutes Section 287.133(2)(a), which provides: "A person or affiliate who has been placed on the convicted vendor list following a conviction for a public entity crime may not submit a bid on a contract to provide any goods or services to a public entity, may not submit a bid on a contract with a public entity for the construction or repair of a public building or public work, may not submit bids on leases of real property to a public entity, may not be awarded or perform work as a contractor, supplier, subcontractor, or consultant under a contract with any public entity, and may not transact business with any public entity in excess of the threshold amount provided in s. 287.017 for CATEGORY TWO for a period of 36 months from the date of being placed on the convicted vendor list."

14 This Placement Agreement will inure to the benefit of the County, the Placement Agent and the Company and their respective successors and assigns, and no other person will have any right or obligation

hereunder. The terms "successors" and "assigns" shall not include any purchaser of Bonds from the Placement Agent solely by reason of such purchase.

15. The representations and warranties of the County contained herein, or in the certificates of officials of the County submitted to the Placement Agent pursuant hereto, shall remain operative and in full force and effect regardless of any investigation made by or on behalf of any Placement Agent and shall survive the delivery of the Bonds to the Placement Agent.

16. This Placement Agreement may be executed in counterparts, each of which shall be deemed to be an original and all of which, taken together, shall constitute one and the same instrument

Dated: June 30 1997

SUNTRUST BANK, ATLANTA

By: _____

Title: ASSISTANT VICE PRESIDENT

Accepted as of the date hereof:

BOARD OF COUNTY COMMISSIONERS
OF ESCAMBIA COUNTY, FLORIDA

By: _____

Title: _____

Datec June 30, 1997

SUNTRUST BANK, ATLANTA

By:_____

Title:_____

Accepted as of the date hereof:

BOARD OF COUNTY COMMISSIONERS
OF ESCAMBIA COUNTY, FLORIDA

By: Thomas G. Banjamin
THOMAS G. BANJAMIN, CHAIRMAN

Title:_____

ATTEST: ERNIE LEE MAGANA
CLERK OF THE CIRCUIT COURT

By: Marilyn Montgomery
Deputy Clerk

EXHIBIT A-1
to the
Placement Agreement

[LETTERHEAD OF BALCH & BINGHAM LLP]

July __, 1997

SunTrust Bank, Atlanta
303 Peachtree Street
Atlanta, Georgia

Board of County Commissioners
Escambia County, Florida

Gulf Power Company
500 Bayfront Parkway
Pensacola, Florida

Ladies and Gentlemen:

We have acted as Bond Counsel in connection with the issuance by Escambia County, Florida (the "County") of $37,000,000 aggregate principal amount of its Pollution Control Revenue Refunding Bonds (Gulf Power Company Project) Series 1997 (the "Series 1997 Bonds"). The Series 1997 Bonds are being issued pursuant to the Florida Industrial Development Financial Act, which, as amended, appears as Part II of Chapter 159, Florida Statutes, Sections 159.25 to 159.431, inclusive, (the "Act"). The proceeds of the Series 1997 Bonds are to be used for the purpose of providing funds for the redemption of $32,000,000 of the outstanding Series 1987 Bonds (as hereinafter defined) and $5,000,000 of the outstanding Series 1992 Bonds (as hereinafter defined). The County has heretofore issued $32,000,000 aggregate principal amount of its Pollution Control Revenue Refunding Bonds (Gulf Power Company Project) Series 1987 (the "Series 1987 Bonds") and $5,000,000 aggregate principal amount of its Pollution Control Revenue Refunding Bonds (Gulf Power Company Project) Series 1992 (the "Series 1992 Bonds"), to provide funds to refinance a portion of the cost of certain air and water pollution control and solid waste disposal facilities at the Crist Steam Plant in Escambia County, Florida and the Lansing Smith Steam Plant in Bay County, Florida. The Series 1997 Bonds are referred to as the "Bonds". The air and water pollution control facilities refinanced with the proceeds of the Series 1992 Bonds and the air and water pollution control and solid waste disposal facilities refinanced with the proceeds of the Series 1987 Bonds are referred to herein as the "Projects".

The County has entered into a Loan Agreement, dated as of July 1, 1997 (the "Agreement"), with Gulf Power Company (the "Company") pursuant to which the County will loan the proceeds of the sale of the Bonds to the Company, which loan is to be evidenced by the Company's promissory note (the "Note").

All of the Bonds are issued or are to be issued under and pursuant to a Trust Indenture, dated as of July 1, 1997 (the "Indenture") by and between the County and First Union National Bank, as trustee (said banking corporation and any bank or trust company becoming successor trustee under the Indenture being herein called the "Trustee"), to be executed and delivered on or prior to the Closing Date (as hereinafter defined).

In our capacity as Bond Counsel we have examined such documents, records of the County and other instruments as we deem necessary to enable us to express the opinions set forth below, including original counterparts or certified copies of the Indenture, the Agreement and certain other documents. Our opinions regarding authority and actions by the County are based upon direct inquiries by us, examination of a certified copy of the proceedings of the County relating to the authorization and issuance of the Series 1997 Bonds and an opinion of Miller, Canfield, Paddock and Stone, P.L.C., Counsel for the County, of even date herewith as to the authority, procedures and actions of the County in the authorization and issuance of the Series 1997 Bonds.

We have examined the single fully executed and authenticated Series 1997 Bond executed and authenticated on the date hereof.

Based on the foregoing, it is our opinion that

1. The County is a political subdivision of the State of Florida validly existing under Florida law, with full authority to issue the Bonds, to loan the proceeds of the sale of Bonds to the Company, and to execute, deliver and perform its obligations under the Agreement and the Indenture.

2. The Agreement has been duly authorized, executed and delivered by the County and the Company and constitutes a legal, valid and binding obligation of the County in accordance with its terms.

3. The Indenture has been duly authorized, executed and delivered by the County and the Trustee and constitutes a legal, valid and binding obligation of the County in accordance with its terms.

4. By the terms of the Indenture, the County's right in the Agreement and in all revenues and receipts received or to be received thereunder (except for rights to indemnification) have been effectively assigned to the Trustee as security for the Bonds, and the Indenture creates a valid security interest in favor of the Trustee in and to such rights, subject to no prior security interest.

5. The issuance and sale of the Series 1997 Bonds have been duly authorized by the County; the Series 1997 Bonds have been duly executed and delivered by the County and authenticated by the Trustee; and the Series 1997 Bonds are legal, valid and binding limited obligations of the County, payable in accordance with the terms of the Indenture and entitled to the benefit and security of the Indenture.

6. Under the Act, the Series 1997 Bonds and the interest thereon are exempt from all present Florida taxation, except estate taxes and taxes imposed by Chapter 220, Florida Statutes, on interest, income or profits on debt obligations owned by corporations.

7. The interest on the Series 1997 Bonds is excluded from gross income for federal income tax purposes, except for the interest on any Series 1997 Bond during any period while it is held by a "substantial user" of a Project or a "related person" within the meaning of section 147(a) of the Internal Revenue Code of 1986, as amended (the "Code"). Interest on the Series 1997 Bonds will not be treated as a specific preference item for purposes of calculating the federal alternative minimum tax imposed on individuals or corporations, but such interest will be includable in adjusted current earnings in computing the federal alternative minimum tax imposed on certain corporations. The opinion set forth in the first sentence of this paragraph is rendered in reliance upon certain certifications and representations of the County, the Trustee and the Company made at the time of issuance of the Series 1997 Bonds, and is subject to the condition that the County, the Trustee and the Company comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Series 1997 Bonds in order that interest thereon be and continue to be excluded from

gross income for federal income tax purposes. Failure to comply with such requirements could cause the interest on the Series 1997 Bonds to be included in gross income retroactively to the date of issuance. The County, the Trustee and the Company have covenanted to comply with such requirements. We express no opinion regarding other federal tax consequences arising with respect to the Series 1997 Bonds.

The obligations of the parties with respect to the documents described above are subject, in part, to the provisions of the Federal Bankruptcy Code and any applicable bankruptcy, insolvency, reorganization, moratorium or similar law relating to or affecting the enforcement of creditors' rights now or hereafter in effect. Such obligations are also subject to equity principles which may limit the specific enforcement of certain remedies, but which do not affect the validity of such documents and do not make inadequate other remedies available to the holders of the Bonds for the enforcement of such obligations.

Respectfully submitted,

EXHIBIT A-2
to the
Placement Agreement

[Letterhead of Balch & Bingham LLP]

SunTrust Bank, Atlanta

July , 1997

Ladies and Gentlemen:

Reference is made to our opinion delivered to you concurrently herewith relating to the $37,000,000 aggregate principal amount of Pollution Control Revenue Refunding Bonds, (Gulf Power Company Project) Series 1997 (the "Bonds") of Escambia County, Florida (the "County") and Section 6(f)(3)(i) of the Placement Agreement, dated June _, 1997 (the "Placement Agreement"), between the County and SunTrust Bank, Atlanta (the "Placement Agent"). Terms not defined herein shall have the meanings accorded to such term in the Placement Agreement.

We have reviewed the Limited Offering Memorandum incident to our activities as Bond Counsel. During the course of such review, we participated in conferences with representatives of the Company, its counsel, and your counsel, at which conferences the contents of the Limited Offering Memorandum were discussed. With your consent, our review as Bond Counsel, however, was limited to the information set forth in the Limited Offering Memorandum on its cover page and under the captions "Introductory Statement", "The Counties", "Use of Bond Proceeds; Refunding of Outstanding Bonds", "The Bonds", "The Agreements", "The Indentures" and "Tax Exemption".

Subject to the preceding paragraph, nothing has come to our attention which would cause us to believe that the information contained under the captioned headings described above in the Limited Offering Memorandum (other than the financial statements and other financial or statistical data contained therein, or incorporated therein by reference as to which we express no opinion) includes an untrue statement of a material fact or omits to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

The Placement Agreement has been duly authorized and accepted by the County and constitutes a valid and legally binding obligation of the County.

Such instruments as are required have been duly filed and recorded wherever necessary to perfect the security interests created by the Indenture.

The offer and sale of the Bonds do not require registration of the Bonds under the Securities Act of 1933, as amended, or qualification of the Indenture under the Trust Indenture Act of 1939, as amended.

This letter is furnished by us solely for the benefit of the Placement Agent in connection with the provisions of the Placement Agreement and may not be relied upon by any other person.

Very truly yours,

EXHIBIT B
to the
Placement Agreement

[Letterhead of Beggs & Lane]

July , 1997

SunTrust Bank, Atlanta
Atlanta, Georgia

Board of County Commissioners
Escambia County, Florida

First Union National Bank, as Trustee

Ladies and Gentlemen:

In connection with the issuance by Escambia County, Florida (the "County") of $37,000,000 aggregate principal amount of its Pollution Control Revenue Refunding Bonds, (Gulf Power Company Project) Series 1997 (the "Bonds") and in connection with the (i) Trust Indenture, dated as of July 1, 1997 (the "Indenture"), between the County and First Union National Bank, as trustee (the "Trustee"), (ii) Loan Agreement, dated as of July 1, 1997 (the "Agreement"), between the Gulf Power Company (the "Company") and the County, (iii) promissory note dated July , 1997 (the "Note") in the principal amount of $37,000,000 issued by the Company pursuant to the Agreement, (iv) Letter of Representation, dated June __, 1997, from the Company to the County and the Placement Agent (the "Letter of Representation"), (v) the Remarketing Agreement, dated as of July 1, 1997 (the "Remarketing Agreement") between the Company and you as remarketing agent and (vi) the Placement Agreement, dated June __, 1997 between the County and you, we have examined, among other things, the documents described in the closing memorandum as having been delivered to you by the Company at the closing and such other documents and papers as we deemed relevant to enable us to express the opinions herein set forth. We have not examined the Bonds, except specimens thereof, and are relying upon a certificate of the Trustee under the indenture respectively, as to the execution and authentication thereof.

We have also examined the Limited Offering Memorandum dated June __, 1997 relating to the Bonds, including the Appendix thereto (the "Limited Offering Memorandum"), which incorporates by reference the Annual Report on Form 10-K of the Company for the fiscal year ended December 31, 1996, the Quarterly Report on form 10-Q of the Company for the Quarter Ended March 31, 1997 and the Current Reports on Form 8-K of the Company dated January 27, 1997 and February 12, 1997 (the "Exchange Act Documents"), each as filed under the Securities Exchange Act of 1934, as amended (the "Exchange Act").

We are of the opinion, relying as to matters of Georgia law and with respect to all federal securities laws, rules and regulations on the opinion of even date herewith of Troutman Sanders LLP, that:

1. The Company is a corporation duly organized and existing under the laws of the State of Maine, is duly qualified to carry on its business as a foreign corporation in the States of Florida, Georgia

and Mississippi and has due corporate authority to carry on the public utility business in which it is engaged and to own and operate the properties used by it in such business.

2. The Securities and Exchange Commission (the "Commission") and the Florida Public Service Commission have issued appropriate orders with respect to the issuance of the Note and the execution and delivery by the Company of the Agreement, and such orders, to the best of our knowledge, remain in effect; such orders are sufficient for, and no approval or consent of any other governmental body (other than in connection or compliance with the provisions of the securities or "blue sky" laws of any jurisdiction) is legally required for, the issuance of the Note or the execution and delivery by the Company of the Agreement.

3. The Company had full power and authority to execute the Agreement, the Note, the Remarketing Agreement and the Letter of Representation, and the Agreement, the Note, the Remarketing Agreement and the Letter of Representation have been duly authorized, executed and delivered by the Company and are valid and legally binding obligations of the Company, except as rights to indemnity under the Letter of Representation and the Remarketing Agreement may be limited by principles of public policy.

4. The statements summarizing the provisions of the Bonds, the Agreement, the Note and the Indenture contained in the Limited Offering Memorandum under the captions "The Bonds", "The Agreements" and "The Indentures" accurately and fairly present the information purported to be shown.

5. The execution and delivery of the Agreement, the Note, the Remarketing Agreement and the Letter of Representation by the Company will not result in a breach of or constitute a default under the charter or bylaws of the Company or any indenture, mortgage, deed of trust, agreement or other instrument, of which we have knowledge, to which the Company is a party or by which it or any of its property is bound or any order, rule or regulation applicable to the Company of any court or other governmental body having jurisdiction over the Company or its property.

We have no knowledge of any material litigation or proceedings pending or threatened which challenge the validity of the Note, the Agreement, the Remarketing Agreement or the Letter of Representation, or which seek to enjoin the performance of the Company's obligations thereunder.

We have not independently verified the accuracy, completeness or fairness of the statements made or included in the Limited Offering Memorandum or the Exchange Act Documents and take no responsibility therefor, except as and to the extent set forth in paragraph 4 above. In the course of the preparation by the County and the Company of the Limited Offering Memorandum, we participated in conferences with certain officers and employees of the Company, with representatives of Arthur Andersen LLP, with other counsel for the Company and with Bond Counsel. In addition, in the course of the preparation by the Company of the Exchange Act Documents, we participated in conferences with certain officers and employees of the Company and with representatives of Arthur Andersen LLP. Based upon our examination of the Limited Offering Memorandum and the Exchange Act Documents and our participation in the conferences referred to above, (i) we are of the opinion that the Exchange Act Documents, as of their respective dates of filing with the Commission, complied as to form in all material respects with the requirements of the Exchange Act and the applicable rule and regulations of the Commission thereunder, except that in each case we express no opinion or belief as to the financial statements or other financial or statistical data contained or incorporated by reference in the Exchange Act Documents, and (ii) we have no reason to believe that the Limited Offering Memorandum (including the Exchange Act Documents) contains any untrue statement of a material fact or omits to state any material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading, except that in each case we express no opinion or belief with respect to the financial statements or other financial or statistical data contained or incorporated by reference in the Limited Offering Memorandum or the Exchange Act Documents or with respect to the information in the Limited Offering Memorandum under the captions "The Counties," "The Bonds-Book-Entry System", "Placement" and "Tax Exemption".

We are members of the State Bar of Florida and we do not express any opinion herein concerning any law other than law of the State of Florida and the federal law of the United States and, to the extent necessary to render the opinions set forth herein, the laws of the State of Georgia, Mississippi and Maine.

This opinion is rendered to you in connection with the above described transaction. This opinion may not be relied upon by you for any other purpose, or relied upon by, or furnished to, any other person, firm or corporation without our prior consent, except that Dewey Ballantine and Troutman Sanders LLP may rely on this opinion in giving their opinions pursuant to Section 6 of the Purchase Contract insofar as such opinions relate to matters of Florida and Mississippi law.

Very truly yours,

EXHIBIT C
to the Placement Agreement

[LETTERHEAD OF TROUTMAN SANDERS LLP]

_____ ____, 1997

SunTrust Bank, Atlanta
Atlanta, Georgia

Re: $37,000,000 Escambia County, Florida Pollution Control Revenue Refunding Bonds (Gulf Power Company Project), Series 1997 _____

Ladies and Gentlemen:

We have acted as counsel to Gulf Power Company (the "Company") in connection with the placement by you of $37,000,000 aggregate principal amount of Escambia County, Florida Pollution Control Revenue Refunding Bonds (Gulf Power Company Project), Series 1997 (the "Bonds"), pursuant to the Placement Agreement dated _____, 1997 (the "Placement Agreement"), between Escambia County, Florida and you.

We have examined (i) the Limited Offering Memorandum dated _____, 1997 relating to the Bonds, including the appendix thereto (the "Limited Offering Memorandum"), which incorporates by reference the Annual Report on Form 10-K of the Company for the fiscal year ended December 31, 1996, the Quarterly Report on Form 10-Q of the Company for the quarter ended March 31, 1997 and the Current Reports on Form 8-K of the Company dated January 27, 1997 and February 12, 1997 (the "Exchange Act Documents"), each as filed under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), (ii) the Trust Indenture relating to the Bonds, dated as of July 1, 1997 (the "Trust Indenture") between the County and First Union National Bank as trustee; (iii) the Loan Agreement dated as of July 1, 1997 (the "Agreement") between the County and the Company; (iv) the promissory note dated _____, 1997 (the "Note") in the aggregate principal amount of $37,000,000 issued by the Company pursuant to the Agreement; (v) the Placement Agreement; (vi) the Letter of Representation dated July __, 1997 (the "Letter of Representation") among the Company, the County and you; and (vii) the Remarketing Agreement, dated as of July 1, 1997 (the "Remarketing Agreement") between the Company and you, as remarketing agent. In addition, we have examined, and have relied as to matters of fact upon, the documents delivered to you at the closing (except the Bonds of which we have examined a specimen), and upon originals or copies, certified or otherwise identified to our satisfaction, of such corporate records, agreements, documents and other instruments and such certificates or comparable documents of public officials and of officers and representatives of the County and the Company, and have made such other and further investigations, as we deemed relevant and hereinafter set forth.

In such examination, we have assumed the genuineness of all signatures, the legal capacity of natural persons, the authenticity of all documents submitted to us as originals, the conformity to original documents of all documents submitted to us as certified or photostatic copies, and the authenticity of the originals of such latter documents.

Based upon the foregoing, and subject to the qualifications and limitations stated herein, we hereby advise you that in our opinion:

1. The Company is a corporation duly organized and existing under the laws of the State of Maine, is duly qualified to carry on its business as a foreign corporation in the States of Florida, Georgia and Mississippi and has due corporate authority to carry on the public utility business in which it is engaged and to own and operate the properties used by it in such business

2. The Company had full power and authority to execute the Agreement, the Note, the Remarketing Agreement and the Letter of Representation, and the Agreement, the Note, the Remarketing Agreement and the Letter of Representation have been duly authorized, executed and delivered by the Company and are valid and legally binding obligations of the Company, except as rights to indemnity under the Letter of Representation and the Remarketing Agreement may be limited by principles of public policy.

3. The statements summarizing the provisions of the Bonds, the Agreement, the Note and the Indenture contained in the Limited Offering Memorandum under the captions "The Bonds", "The Agreements" and "The Indentures" accurately and fairly present the information purported to be shown.

4. The execution and delivery of the Agreement, the Note, the Remarketing Agreement and the Letter of Representation by the Company will not result in a breach of or constitute a default under the charter or bylaws of the Company or any indenture, mortgage, deed of trust, agreement or other instrument, of which we have knowledge, to which the Company is a party or by which it or any of its property is bound or any order, rule or regulation applicable to the Company of any court or other governmental body having jurisdiction over the Company or its property.

5. The Securities and Exchange Commission (the "Commission") and the Florida Public Service Commission have issued appropriate orders with respect to the issuance of the Note and the execution and delivery by the Company of the Agreement, and such orders, to the best of our knowledge, remain in effect; such orders are sufficient for, and no approval or consent of any other governmental body (other than in connection or compliance with the provisions of the securities or "blue sky" laws of any jurisdiction) is legally required for, the issuance of the Note or the execution and delivery by the Company of the Agreement.

6. The Bonds are exempted securities within the meaning of Section 3(a)(2) of the Securities Act of 1933, as amended (the "Act"), and it is not necessary in connection with the sale of the Bonds to the public to register the Bonds or the Note under the Act or to qualify the Trust Indenture under the Trust Indenture Act of 1939, as amended.

In rendering the opinion expressed in paragraph 6 above, we have relied upon the legal opinion dated the date hereof, rendered to you by Balch & Bingham LLP, Bond Counsel, pursuant to the Placement Agreement as to the exclusion from gross income for federal income tax purposes of interest on the Bonds and have made no independent investigation with respect to such exclusion.

We have not independently verified the accuracy, completeness or fairness of the statements made or included in the Limited Offering Memorandum or the Exchange Act Documents and take no responsibility therefor except as and to the extent set forth in paragraph 3 above. In the course of the preparation by the County and the Company of the Limited Offering Memorandum, we participated in conferences with certain officers and employees of the Company, with representatives of Arthur Andersen LLP with other counsel for the Company, and with Bond Counsel. In addition, in the course of the preparation by the Company of the Exchange Act Documents, we participated in conferences with certain officers and employees of the Company, and with representatives of Arthur Andersen LLP. Based upon our examination of the Limited Offering Memorandum and the Exchange Act Documents and our participation in the conferences referred to above, (i) we are of the opinion that the Exchange Act Documents, as of their respective dates of filing with the Commission, complied as to form in all material respects with the

requirements of the Exchange Act and the applicable rules and regulations of the Commission thereunder, except that in this case we express no opinion or belief as to the financial statements or other financial or statistical data contained or incorporated by reference in the Exchange Act Documents, and (ii) we have no reason to believe that the Limited Offering Memorandum (including the Exchange Act Documents) contains any untrue statement of a material fact or omits to state any material fact necessary in order to make the statements therein, in the light of circumstances under which they were made, not misleading, except that in each case we express no opinion or belief with respect to the financial statements or other financial or statistical data contained or incorporated by reference in the Limited Offering Memorandum or the Exchange Act Documents or with respect to the information in the Limited Offering Memorandum under the captions "The Counties", "The Bonds-Book-Entry System", "Placement" and "Tax Exemption".

We are members of the State Bar of Georgia and we do not express any opinion herein concerning any law other than the law of the State of Georgia and the federal law of the United States and to the extent necessary to render the opinions set forth herein, the laws of the States of Florida, Mississippi and Maine.

This opinion is rendered to you in connection with the above described transaction. This opinion may not be relied upon by you for any other purpose, or relied upon by, or furnished to any other person, firm or corporation without our prior written consent except that Dewey Ballantine and Begg & Lane may rely on this opinion in giving their opinions pursuant to Section 6 of the Placement Agreement insofar as such opinions relate to matters of Georgia law.

Very truly yours,

TROUTMAN SANDERS LLP

EXHIBIT D
to the Placement Agreement

[LETTERHEAD OF DEWEY BALLANTINE]

_____, 1997

SunTrust Bank, Atlanta
Atlanta, Georgia

Re: $37,000,000 Escambia County, Florida Pollution Control Revenue Refunding Bonds (Gulf Power Company Project), Series 1997

Ladies and Gentlemen:

We have acted as your counsel in connection with the placement by you of $37,000,000 aggregate principal amount of Escambia, County, Florida Pollution Control Revenue Refunding Bonds (Gulf Power Company Project), Series 1997 (the "Bonds"), pursuant to the Placement Agreement dated _____, 1997 (the "Placement Agreement") between you and Escambia, County, Florida (the "County").

We have examined (i) the Limited Offering Memorandum dated _____, 1997 relating to the Bonds, including the Appendix thereto (the "Limited Offering Memorandum"), which incorporates by reference the Annual Report on Form 10-K of Gulf Power Company (the "Company") for the fiscal year ended December 31, 1996, the Quarterly Report on Form 10-Q of the Company for the quarter ended March 31, 1997, and the Current Reports on Form 8-K of the Company dated January 27, 1997 and February 12, 1997 (the "Exchange Act Documents"); (ii) the Trust Indenture relating to the Bonds, dated as of July 1, 1997 (the "Indenture") between the County and First Union National Bank, as trustee (the "Trustee"); (iii) the Loan Agreement, dated as of July 1, 1997 (the "Agreement") between the Company and the County; (iv) the promissory note dated _____, 1997 (the "Note") in the aggregate principal amount of $37,000,000 issued by the Company pursuant to the Agreement; (v) the Placement Agreement; (vi) the Letter of Representation dated _____, 1997 (the "Letter of Representation") among the Company, the County and you; and (vii) the Remarketing Agreement, dated as of July 1, 1997 (the "Remarketing Agreement") between the Company and you, as remarketing agent. In addition, we have examined, and have relied as to matters of fact upon, the documents delivered to us at the closing (except the Bonds of which we have examined a specimen), and upon originals or copies, certified or otherwise identified to our satisfaction, of such corporate records, agreements, documents and other instruments and such certificates or comparable documents of public officials and of officers and representatives of the County and the Company, and have made such other and further investigations, as we deemed relevant and necessary as a basis for the opinions hereinafter set forth.

In such examination, we have assumed the genuineness of all signatures, the legal capacity of natural persons, the authenticity of all documents submitted to us as originals, the conformity to original documents of all documents submitted to us as certified or photostatic copies, and the authenticity of the originals of such latter documents.

We understand that included among the opinions you are receiving concurrently herewith is an opinion of Beggs & Lane, general counsel to the Company, and Troutman Sanders LLP, counsel for the Company. In rendering this opinion, we have, with your consent, relied on said opinion of Beggs and Lane

Troutman Sanders LLP to the extent that it relates to matters of conformity to Florida, Mississippi and Georgia law. With respect to the opinion expressed in paragraph (5) below, we have, with your consent, relied on an opinion of even date herewith rendered by Balch & Bingham LLP in its capacity as Bond Counsel, to the effect, among other things, that interest on the Bonds, to the extent set forth in such opinion, is excluded from gross income for federal income tax purposes.

Based on the foregoing, and subject to the qualifications and limitations stated herein, we are of the opinion that:

1. The Company is a corporation duly organized and existing under the laws of the State of Maine, is duly qualified to carry on its business as a foreign corporation in the States of Florida, Georgia and Mississippi and has due corporate authority to carry on the public utility business in which it is engaged and to own and operate the properties used by it in such business.

2. All orders, consents or other authorizations or approvals of the Florida Public Service Commission and the Securities and Exchange Commission (the "Commission") legally required for the issuance of the Note and with respect to the authorization, execution and delivery of the Agreement by the Company have been obtained; and no other order, consent or other authorization or approval of any Florida or United States governmental body (other than in connection or in compliance with the provisions of the securities or "blue sky" laws of any jurisdiction, as to which we express no opinion) is legally required for the issuance of the Note or the authorization, execution and delivery of the Agreement by the Company.

3. The Agreement, the Remarketing Agreement, the Letter of Representation and the Note have been duly authorized, executed and delivered by the Company and constitute valid and legally binding obligations of the Company enforceable against the Company in accordance with their respective terms, subject to the qualifications that the enforceability of the Company's obligations under the Agreement, the Remarketing Agreement, the Letter of Representation and the Note may be limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws relating to or affecting creditors' rights generally, by general equitable principles (regardless of whether such enforceability is considered in a proceeding in equity or at law) and by any principles of public policy affecting the right to enforce the indemnification provisions contained in the Remarketing Agreement and the Letter of Representation.

4. The statements made in the Limited Offering Memorandum under the captions "The Bonds", "The Agreements" and "The Indentures", insofar as they purport to constitute summaries of the terms of documents referred to therein, constitute accurate summaries of the terms of such documents in all material respects; provided that no opinion is expressed with respect to the information contained under the heading "The Bonds-Book-Entry System."

5. The Bonds are exempted securities within the meaning of Section 3(a)(2) of the Securities Act of 1933, as amended (the "Act"), and it is not necessary in connection with the sale of the Bonds to the public to register the Bonds or the Note under the Act or to qualify the Trust Indenture under the Trust Indenture Act of 1939, as amended.

We have not independently verified the accuracy, completeness or fairness of the statements made or included in the Limited Offering Memorandum or the Exchange Act Documents and take no responsibility therefor, except as and to the extent set forth in paragraph 4 above. In the course of the preparation by the County and the Company of the Limited Offering Memorandum, we participated in conferences with certain officers and employees of the Company, with representatives of Arthur Andersen LLP, with counsel for the Company and with Bond Counsel. In addition, in the course of the preparation by the Company of the Exchange Act Documents, we participated in conferences with certain officers and employees of the Company, with representatives of Arthur Andersen LLP and with counsel for the Company. Based upon our examination of the Limited Offering Memorandum and the Exchange Act Documents and our participation in the conferences referred to above, (i) we are of the opinion that the Exchange Act Documents, as of their respective dates of filing with the Commission, complied as to form in all material respects with the requirements of the Exchange Act and the applicable rules and regulations of the Commission thereunder, except that in each case we express no opinion or belief as to the financial statements or other financial or statistical data contained or incorporated by reference in the Exchange Act Documents, and (ii) we have no reason to believe that the Limited Offering Memorandum (including the Exchange Act Documents) contains any untrue statement of a material fact or omits to state any material fact necessary in order to make the statements therein, in the light of circumstances under which they were made, not misleading, except that in each case we express no opinion or belief with respect to the financial statements or other financial or statistical data contained or incorporated by reference in the Limited Offering Memorandum or the Exchange Act Documents or with respect to the information in the Limited Offering Memorandum under the captions "The Counties", "The Bonds-Book-Entry System", "Placement" and "Tax Exemption".

Very truly yours,

DEWEY BALLANTINE

EXHIBIT E
to the Placement Agreement

[LETTERHEAD OF ARTHUR ANDERSEN LLP]

This letter will be to the effect that:

(A) Arthur Andersen LLP are independent public accountants with respect to Gulf Power Company (the "Company") under Rule 101 of the American Institute of Certified Public Accountants' Code of Professional Conduct and its interpretations and rulings; (B) at the Placement Agent's request, Arthur Andersen LLP have performed, and will report their findings as a result of performing, certain limited procedures performed through a specified date not more than five business days prior to the date of such letter, namely (i) reading of the minute books of the Company; (ii) reading of the unaudited financial statements, if any, of the Company incorporated by reference in the Appendix to the Limited Offering Memorandum (the "Appendix") and agreeing the amounts contained therein with the Company's accounting records; (iii) reading the unaudited financial statements of the Company, from which the unaudited amounts for Operating Revenues, Income Before Interest Charges, Net Income After Dividends on Preferred Stock and unaudited Ratio of Earnings to Fixed Charges included in the Appendix are derived and agreeing the amounts contained therein with the Company's accounting records; (iv) reading the latest available unaudited financial statements of the Company, if any, for any period subsequent to that set forth in (iii) above and agreeing the amounts contained therein and the unaudited amounts of Operating Revenues, Income Before Interest Charges, Net Income After Dividends on Preferred Stock and unaudited Ratio of Earnings to Fixed Charges for the period covered by such financial statements, which amounts and ratio shall be set forth in such letter with the Company's accounting records; and (v) making inquiries of certain officials of the Company who have responsibility for financial and accounting matters regarding whether (a) the unaudited financial statements described in (ii) are in conformity with generally accepted accounting principles applied on a basis substantially consistent with that of the audited financial statements incorporated by reference in the Appendix; (b) the unaudited financial statements described in (iii) are stated on a basis substantially consistent with that of the audited financial statements incorporated by reference in the Appendix; (c) the unaudited financial statements described in (ii) comply as to form in all material respects with the applicable accounting requirements of the Securities Exchange Act of 1934, as amended, and the related published rules and regulations thereunder; (d) the specified unaudited amounts or ratios described in (iii) are stated on a basis substantially consistent with that of the corresponding audited amounts and ratios included or incorporated by reference in the Appendix; and (e) there has been any change in the capital stock or long-term debt or any decrease in net assets of the Company as compared with amounts shown in the latest audited balance sheet incorporated by reference in the Appendix, except in each case for changes or decreases which (i) the Appendix discloses have occurred or may occur, (ii) are occasioned by the declaration of dividends, (iii) are occasioned by regularly scheduled payments of capitalized lease obligations, (iv) are occasioned by the purchase or redemption of bonds or stock to satisfy mandatory redemption provisions relating thereto, or (v) are disclosed in such letter (it being understood that the foregoing procedures do not constitute an audit performed in accordance with generally accepted auditing standards and they would not necessarily reveal matters of significance with respect to the comments made in such letter, nor would they necessarily disclose changes in specified financial statement line items, inconsistencies in the application of generally accepted accounting principles, or other matters, and accordingly that Arthur Andersen LLP make no representations as to the sufficiency of such procedures for the Placement Agent's purposes).

EXHIBIT F
to the Placement Agreement

GULF POWER COMPANY

Letter of Representation

_____, 1997

BOARD OF COUNTY COMMISSIONERS
Escambia County, Florida

SUNTRUST BANK, ATLANTA
Atlanta, Georgia

Ladies and Gentlemen:

Gulf Power Company (the "Company") delivers this Letter of Representation in order to induce SunTrust Bank, Atlanta, as placement agent (the "Placement Agent"), and Escambia County, Florida (the "County") to enter into a Placement Agreement, to be dated the date hereof (the "Placement Agreement"), with the County relating to the placement by the Placement Agent from the County of $37,000,000 aggregate principal amount of its Pollution Control Revenue Bonds (Gulf Power Company Project), Series 1997 (the "Bonds"). The Bonds will be issued under and secured by a Trust Indenture, dated as of July 1, 1997 (the "Indenture"), between the County and First Union National Bank, as trustee (the "Trustee"). The proceeds of the Bonds are to be used, pursuant to the terms of a Loan Agreement, dated as of July 1, 1997 (the "Agreement"), between the County and the Company, to provide funds to refund certain of the County's bonds heretofore issued to finance or refinance the acquisition, construction, installation and equipping of the Company's interest in certain air or water pollution control and solid waste disposal facilities, or portions thereof, at Plant Crist, in Escambia County, Florida and Plant Lansing Smith in Bay County, Florida. The Company's payment obligations with respect to the Bonds under the Agreement will be evidenced by a non-negotiable promissory note equal in principal amount to the Bonds and bearing interest at the rate or rates borne by the Bonds (the "Note"). The Placement Agent will be appointed as the remarketing agent for the Bonds pursuant to a Remarketing Agreement (the "Remarketing Agreement") with the Company. As used in this Letter of Representation the term "Limited Offering Memorandum" means the Limited Offering Memorandum of the County, dated June 30, 1997, relating to the Bonds and certain other obligations described therein, including the Appendix thereto and the documents incorporated therein by reference.

1. In consideration of the execution and delivery of the Placement Agreement, the Company represents, warrants and covenants to and with the Placement Agent and the County that:

(a) The Limited Offering Memorandum does not, and at the Closing Date (as defined in the Placement Agreement) the Limited Offering Memorandum, as it may be amended or supplemented, will not, include any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; provided, however, that none of the representations and warranties in this Letter of Representation shall apply to statements in or omissions from the Limited Offering Memorandum under the captions "The Counties", "Tax Exemption" or "Placement" or in the statements on the cover page with respect to the initial public offering price, tax exemption and terms of offering.

(b) The financial statements contained or incorporated by reference in the Limited Offering Memorandum present fairly the financial position of the Company as of the dates indicated and the results of its operations for the periods specified; and, except as otherwise stated in the Limited Offering Memorandum, said financial statements have been prepared in conformity with generally accepted accounting principles applied on a consistent basis during the periods involved.

(c) There has not been any material adverse change in the business, properties, or financial condition of the Company as a whole from that set forth in or contemplated by the Limited Offering Memorandum.

(d) The Company has not entered into any material transaction or incurred any material liability otherwise than in the ordinary course of business or as set forth in or contemplated by the Limited Offering Memorandum.

(e) This Letter of Representation has been, and the Agreement, the Remarketing Agreement and the Note, when executed and delivered by the Company, will be, duly authorized, executed and delivered by the Company, and assuming due authorization, execution and delivery thereof by the other parties thereto, will be legal, valid and binding obligations of the Company and will be enforceable in accordance with their respective terms except as limited by any principles of public policy limiting the right to enforce the indemnification provisions of this Letter of Representation and the Remarketing Agreement.

(f) All necessary authorizations, approvals, consents or other orders of any governmental authority or agency for the execution and delivery by the Company of the Agreement and the Remarketing Agreement and for the issuance by the Company of the Note have been obtained and are in full force and effect.

(g) The execution of this Letter of Representation, the Agreement and the Remarketing Agreement, the issuance and delivery of the Note, the consummation of the transactions here in and therein contemplated and the fulfillment of the terms hereof and thereof, did not or will not result in a breach of any of the terms and provisions of, or constitute a default under, any indenture, mortgage, deed of trust or other agreement or instrument to which the Company is a party, or of the Company's charter or by-laws or, to the knowledge of the Company, any order, rule or regulation applicable to the Company of any court or of any Federal or State regulatory body or administrative agency or other governmental body having jurisdiction over the Company or over any of its activities or its properties.

(h) The Company is a corporation duly organized and existing under the laws of the State of Maine, is duly qualified to carry on its business as a foreign corporation in the States of Florida, Georgia and Mississippi and has due corporate authority to carry on the public utility business in which it is engaged and to own and operate the properties used by it in such business.

(i) To the best of the Company's knowledge, the Securities and Exchange Commission has not issued, and is not threatening to issue, any order preventing or suspending the use of the Preliminary Limited Offering Memorandum, dated June __, 1997, relating to the Bonds and certain other obligations described therein (the "Preliminary Limited Offering Memorandum", or the Limited Offering Memorandum.

(j) Except as disclosed in or contemplated by the Limited Offering Memorandum, there is no action, suit, proceeding, inquiry or investigation, at law or in equity, or before or by any court, public board or body known to the Company to be pending or threatened against or directly affecting the Company, nor to the best of the knowledge of the Company is there any basis therefor, wherein an unfavorable decision, ruling or finding (i) would have a material adverse effect on the transactions contemplated by the Placement Agreement or the Limited Offering Memorandum (excluding

transactions contemplated solely by the Appendix thereto and the documents incorporated in the Appendix by reference), or (ii) would adversely affect the validity or enforceability of the Bonds, the Indenture, the Agreement, the Note, the Remarketing Agreement, the Placement Agreement, or this Letter of Representation, or any agreement or instrument to which the Company is a party, used or contemplated for use in connection with the consummation by the Company of the transactions contemplated by the Placement Agreement or by the Limited Offering Memorandum (excluding transactions contemplated solely by the Appendix thereto and the documents incorporated in the Appendix by reference).

(k) The Company will not take or omit to take any action the taking or omission of which would cause the proceeds from the sale of the Bonds to be applied in a manner contrary to that provided for in the Indenture and the Agreement, as amended from time to time.

(l) The Company will cooperate with the Placement Agent and its counsel in any endeavor to qualify the Bonds for offering and sale under the securities or "blue sky" laws of such jurisdictions of the United States as the Placement Agent may request; provided, however, that the Company shall not be required with respect to the offering or sale of the Bonds to file written consent to suit or to file written consent to service of process in any jurisdiction in which the Bonds may be offered or sold.

(m) The Company acknowledges the terms of the Placement Agreement as they relate to it and the Company will pay the fees, costs and expenses to be paid by it pursuant to Section 8 of the Placement Agreement (subject to the terms and conditions set forth therein).

(n) If at any time within 90 days from the Closing Date, when in the judgment of the Placement Agent delivery of the Limited Offering Memorandum in connection with an offering or sale of any of the Bonds is necessary or desirable, any event shall have occurred as a result of which, in the opinion of Dewey Ballantine, counsel for the Placement Agent, the Appendix to the Limited Offering Memorandum (including any documents incorporated therein by reference) includes an untrue statement of a material fact or omits to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, the Company will promptly notify you and prepare and supply you with sufficient copies of an appropriate amendment or supplement to said Appendix, or make an appropriate filing under the provisions of Section 13 or 14 of the Securities Exchange Act of 1934, as amended, to permit the use of the Appendix in connection with the offer or the sale of any of the Bonds from the unsold underwriting allotment (including for this purpose, Bonds held for group account) of the Placement Agent.

2. The acceptance and confirmation of this Letter of Representation by the County shall constitute a representation and warranty by the County to the Company that the representations and warranties contained in Section 4 of the Placement Agreement are true as of the date hereof and will be true in all material respects as of the Closing Date.

3. (a) The Company agrees to indemnify and hold harmless the County, any official or employee of the County, the Placement Agent, and each person, if any, who controls the Placement Agent within the meaning of Section 15 of the Securities Act of 1933, as amended (the "Securities Act"), against any and all losses, claims, damages, liabilities and expenses whatsoever arising out of any untrue statement or alleged untrue statement of a material fact contained in the Preliminary Limited Offering Memorandum (as defined in the Placement Agreement) or the Limited Offering Memorandum, or in any amendment or supplement thereto, or arising out of any omission or alleged omission to state therein a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading in any material respect, except insofar as such losses, claims, damages, liabilities or expenses arise out of any such untrue statement or omission or alleged untrue statement or omission made in any such documents in reliance upon and in conformity with written information furnished to the Company by the Placement Agent

specifically for use therein; provided, however, that the indemnity agreement contained in this Section 3(a) shall not inure to the benefit of the Placement Agent (or of any person so controlling the Placement Agent) to the extent of any losses, claims, damages, liabilities or expenses arising from the sale of the Bonds to any person if a copy of the Limited Offering Memorandum (exclusive of the documents incorporated in the Appendix by reference), as amended or supplemented at the time of such sale, shall not have been given or sent to such person by or on behalf of the Placement Agent with or prior to the written confirmation of the sale involved.

(b) The Placement Agent agrees to indemnify and hold harmless the Company, its directors and officers and each person, if any, who controls the Company within the meaning of Section 15 of the Securities Act, the County and any official or employee of the County, against any and all losses, claims, damages, liabilities and expenses whatsoever arising out of any untrue statement or alleged untrue statement of a material fact contained in the Limited Offering Memorandum, or in any amendment or supplement thereto, or any omission or alleged omission to state therein any material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading, but only to the extent that such untrue statement or alleged untrue statement or omission or alleged omission was made in any such document in reliance upon and in conformity with written information furnished to the Company by the Placement Agent specifically for use therein.

(c) The Company agrees with respect to any action against it, any of its directors or officers or any person controlling it as aforesaid, the Placement Agent agrees with respect to any action against it or any person controlling it as aforesaid, and the County agrees with respect to any action against it, or any of its officers or employees, in respect of which indemnity may be sought hereunder, that it will promptly give written notice of the commencement of such action to the party or parties against whom indemnity may be sought; but the omission so to notify any indemnifying party will not relieve such indemnifying party from any liability which it may have to the indemnified party which failed to give such notice otherwise than under this Section 3 nor affect any rights such indemnifying party may have otherwise than under this Section 3 to participate in or assume the defense of any action brought against such indemnified party. Upon receipt of any such notice by an indemnifying party, such indemnifying party shall be entitled to assume the defense of such action, including the employment of counsel and the payment of all expenses in connection with such defense, and will have the right to negotiate and consent to settlement. Any indemnified party shall have the right to employ separate counsel in any such action against it and to participate in the defense thereof, but the fees and expenses of such counsel shall be at the expense of such indemnified party unless the employment of such counsel shall have been specifically authorized in writing by the indemnifying party or the indemnifying party shall have elected not to assume the defense of such action. No indemnifying party shall be liable for any settlement of any such action effected without its consent; but if any such action is settled with the consent of an indemnifying party or if there be a final judgment for the plaintiff in any such action (of which an indemnifying party shall have been notified as aforesaid), such indemnifying party shall indemnify and hold harmless each indemnified party from and against any losses, claims, damages, liabilities or expenses incurred or suffered by reason of such settlement or judgment.

4. The Company will deliver or cause to be delivered all opinions, certificates and other documents as provided for in the Placement Agreement to be delivered by it.

5. The representations and warranties of the Company and the County contained herein, or in the certificates of officers of the Company or officials of the County submitted to the Placement Agent pursuant to the Placement Agreement, and the agreements of the Company and the Placement Agent contained in Section 3 hereof shall remain operative and in full force and effect regardless of any investigation made by or on behalf of the County or any of its officials or employees, any Placement Agent or controlling person thereof, or the Company or any of its directors or officers or controlling persons, and shall survive the delivery of the Bonds to the Placement Agent. The Company's agreement contained in Section 1(m) hereof to pay expenses shall survive the termination of the Placement Agreement and this Letter of Representation.

6. This Letter of Representation is made solely for the benefit of the County, the Placement Agent and the Company, and, to the extent expressly provided herein, any person referred to in Section 3 hereof, and their respective successors and assigns, and no other person, partnership, association or corporation shall acquire or have any right under or by virtue hereof. The terms "successors" and "assigns" shall not include any purchaser of Bonds from the Placement Agent merely because of such purchase.

7. The execution and delivery of this Letter of Representation by the Company shall constitute the Company's approval of and consent to the County's entering into, acceptance and execution of the Placement Agreement and performance thereunder.

8. This Letter of Representation shall be governed by and construed in accordance with the laws of the State of Florida.

9. Any notice or other communication to be given to the Company under this Letter of Representation may be given by delivering the same in writing to the Treasurer of the Company at its address set forth below. Any notice or other communication to be given to the County may be given by delivering the same in writing to its address set forth in the Placement Agreement. Any notice or other communication to be given to the Placement Agent may be given by delivering the same in writing at the address set forth in the Placement Agreement. The Company, the County and the Placement Agent shall each be fully entitled to rely upon notice given pursuant to this Section and to act thereon.

10. This Letter of Representation shall become effective upon execution thereof and the effectiveness of the Placement Agreement referred to herein. It shall terminate upon termination of the Placement Agreement.

11. This Letter of Representation may be executed in counterparts, each of which shall be deemed to be an original and all of which, taken together, shall constitute one and the same instrument.

Very truly yours,

GULF POWER COMPANY
500 Bayfront Parkway
Pensacola, Florida 32520

By:_____

Accepted and confirmed as of the
date first above written

SUNTRUST BANK, ATLANTA

By:_____
Title:_____

BOARD OF COUNTY COMMISSIONERS
OF ESCAMBIA COUNTY, FLORIDA

By:_____
Title:_____

TCW ASSET MANAGEMENT COMPANY,
as Attorney in Fact for
INTEGON LIFE INSURANCE
CORPORATION

By: _____
Name:
Title:

Withdrawing Member:

THOMAS C. MAZZA

_____

TCW ASSET MANAGEMENT COMPANY, as
Attorney in Fact for INTEGON
LIFE INSURANCE CORPORATION

By: _____
Name:
Title:

$3,930,000

JACKSON COUNTY, FLORIDA
Pollution Control Revenue Refunding Bonds
(Gulf Power Company Project)
Series 199_

PLACEMENT AGREEMENT

Board of County Commissioners
Jackson County, Florida

Ladies and Gentlemen:

The undersigned SunTrust Bank, Atlanta, as placement agent of the above-mentioned issuance (the "Placement Agent"), hereby offers to enter into this Placement Agreement with you (the "County") to use its best efforts as Placement Agent to arrange for the sale by the County of $3,930,000 aggregate principal amount of its Pollution Control Revenue Refunding Bonds (Gulf Power Company Project), Series 1997 (the "Bonds").

Upon the effectiveness of this Placement Agreement, Gulf Power Company (the "Company") is executing and delivering concurrently therewith a Letter of Representation, dated the date hereof (the "Letter of Representation") and in the form of Exhibit F hereto, wherein the Company will undertake certain obligations with respect to this Placement Agreement. Defined terms used herein and not otherwise defined herein shall have the meanings ascribed to such terms in the Limited Offering Memorandum (as hereinafter defined).

1. Upon the terms and conditions and upon the basis of the representations, warranties and covenants set forth herein and in the Letter of Representation, the County hereby agrees to sell the Bonds to the purchasers thereof as herein provided and the Placement Agent hereby agrees to use its best efforts to arrange for the sale of the Bonds for a purchase price of 100% of the principal amount of the Bonds, and the Company agrees to pay $7,860 to the Placement Agent as a placement fee (the "Fee").

2. The Bonds shall be as described in and shall be issued under and secured by a Trust Indenture, dated as of July 1, 1997 (the "Indenture"), by and between the County and First Union National Bank, as trustee (the "Trustee"), to be executed and delivered on or prior to the Closing Date (as hereinafter defined). The County will execute and deliver a Blanket Issuer Letter of Representations (the "DTC Letter") covering the Bonds to The Depository Trust Company ("DTC"). The Bonds shall be issued as required by the provisions of a Loan Agreement, dated as of July 1, 1997 (the "Agreement"), between the County and the Company to be executed and delivered on or prior to the Closing Date providing, among other things, for the undertaking by the County to loan amounts to the Company in order to refund certain of the County's bonds heretofore issued in connection with the acquisition, construction and installation of the certain air and water pollution control facilities installed as a part of the Company's Scholz Steam Plant in Sneads, Florida (the "Project"). To evidence the loan made pursuant to the Agreement, the Company will execute and deliver, concurrently with the issuance of the Bonds, a non-negotiable promissory note (the "Note") in a like principal amount bearing interest at the rate or rates borne by the Bonds. The Bonds are more fully described in the Limited Offering Memorandum, dated the date hereof. As used in this Placement Agreement, the term "Limited Offering Memorandum" means the Limited Offering Memorandum, dated the date hereof, including the Appendix thereto (the "Appendix") and the documents incorporated by reference in the Appendix at such date.

3. At the time of or before the acceptance by the County hereof, the County shall deliver to the Placement Agent a copy of the Limited Offering Memorandum executed on behalf of the County by the Chairman or Vice Chairman or other authorized representative of the County.

The County authorizes the use of the Limited Offering Memorandum, the Agreement and the Indenture, and the information therein contained, by the Placement Agent in connection with the public offering and sale of the Bonds. The County ratifies and confirms the use by the Placement Agent prior to the date hereof of the Preliminary Limited Offering Memorandum of the County, dated June 24, 1997 (the "Preliminary Limited Offering Memorandum"), in connection with the sale of the Bonds.

The County deemed the Preliminary Limited Offering Memorandum final as of its date except for the omission of no more than the following information: the offering prices, interest rates, selling compensation, aggregate principal amount, principal amount per maturity, delivery dates, ratings, and other terms of the securities depending on such matters. The County shall provide to the Placement Agent sufficient quantities of the Limited Offering Memorandum which the County deems complete as of its date, executed by the Chairman or Vice Chairman or other authorized representative of the County, in substantially the same form as the Preliminary Limited Offering Memorandum, subject to minor additions, deletions and revisions, within seven business days after the effective date of this Placement Agreement and in sufficient time to accompany any confirmation that requires payment from any customer. The County agrees to notify the Placement Agent and the Company of any material developments impacting the County or the Bonds, of which the County becomes aware, within 90 days after delivery of the Bonds.

4. The County represents and warrants to the Placement Agent and the Company that:

(a) The County is a validly existing political subdivision of the State of Florida. The County has full legal right, power and authority under the laws of the State of Florida, including particularly the Florida Industrial Development Financing Act, which, as amended, appears as Part II of Chapter 159, Florida Statutes, Sections 159.25 to 159.431, inclusive (the "Act"), to issue the Bonds; to loan the proceeds of the Bonds to the Company for the purpose of refinancing the acquisition, construction and installation of the Project, which loan is to be made under the Agreement; to assign under the Indenture substantially all of its rights in and to the Note and the Agreement as security for the payment of the principal of, premium, if any, and interest on the Bonds; to enter into and comply with the provisions of the DTC Letter; to accept the Letter of Representation; to sell and deliver the Bonds to the Placement Agent as provided herein; and to carry out and consummate all other transactions contemplated on the part of the County by each of the aforesaid documents and the Limited Offering Memorandum.

(b) The County has complied with all provisions of the Constitution of the State of Florida and the Act and has full power and authority to consummate all transactions contemplated on the part of the County by the Limited Offering Memorandum, this Placement Agreement, the Bonds, the Indenture, the Agreement and any and all other agreements relating thereto.

(c) The County has duly authorized all necessary action to be taken by it for: (i) the issuance and sale of the Bonds upon the terms set forth herein and in the Limited Offering Memorandum; (ii) the execution and delivery by it of the Indenture providing for the issuance of and security for the Bonds and the appointment of the Trustee as trustee, paying agent and bond registrar under the Indenture; (iii) the approval of the Limited Offering Memorandum and the signing of the Limited Offering Memorandum by its Chairman or Vice Chairman or other authorized representative; (iv) the lending of the proceeds of the Bonds to the Company; (v) the execution, delivery, receipt and due performance of this Placement Agreement, the Bonds, the Indenture, the Agreement, the DTC Letter and any and all such other agreements and documents as may be required to be executed, delivered and received by the County in order to carry out, give effect to and consummate the transactions contemplated thereby and by the Limited Offering Memorandum; (vi) the acceptance of the Letter of Representation; and (vii) the carrying out, giving effect to and consummation of the transactions contemplated on the part of the County by this Placement Agreement, the Limited Offering Memorandum, the Indenture and the Agreement.

(d) With respect to the information contained under the caption "The Counties", the Limited Offering Memorandum will not include any untrue statement of a material fact or omit to state any material

fact necessary to make the statements made therein, in the light of the circumstances under which they were made, not misleading.

(e) The Bonds, the Indenture and the Agreement conform in all material respects to the descriptions thereof in the Limited Offering Memorandum. The Bonds, when issued, delivered and paid for as herein and in the Indenture provided, will have been duly authorized and issued and will constitute valid and binding obligations of the County enforceable in accordance with their terms and entitled to the benefits and security of the Indenture and Agreement. The Bonds and the interest thereon do not pledge the credit of the County or the State of Florida, nor are they a charge against the general revenues of such entities or a lien against any of their property except as provided for in the Indenture. The Bonds are limited special obligations of the County and no taxes will be levied for the payment of principal of, premium, if any, and interest on the Bonds, such principal, premium and interest being payable solely out of the moneys to be received by the County from repayment of the Note.

(f) The County will apply the proceeds from the sale of the Bonds as specified in the Indenture and the Agreement.

(g) The execution and delivery of the Limited Offering Memorandum, this Placement Agreement, the Bonds, the Indenture, the Agreement, the DTC Letter and the other agreements contemplated on the part of the County hereby and by the Limited Offering Memorandum and compliance on the part of the County with the provisions thereof and the pledge and assignment to the Trustee of the Note and the Agreement and acceptance of and compliance with the provisions of the Letter of Representation will not conflict with or constitute on the part of the County a breach of or a default under any existing law, court or administrative regulation, decree or order or any agreement, indenture, mortgage, lease or other instrument to which the County is subject or by which it is or may be bound, or to the knowledge of the County, any order, rule or regulation applicable to the County of any court or governmental agency or body having jurisdiction over the County or any of its activities or properties; and all consents, approvals, authorizations and orders of governmental or regulatory authorities which are required for the consummation by the County of the transactions contemplated on the part of the County by said documents have been obtained.

(h) There is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, public board or body, pending or, to the knowledge of the County, threatened against or directly affecting the County, except as disclosed in or contemplated by the Limited Offering Memorandum, (i) to restrain or enjoin the issuance and sale of the Bonds or the execution, delivery or performance by the County of the Agreement or the Indenture or (ii) wherein an unfavorable decision, ruling or finding would (A) have a material adverse effect on the transactions contemplated hereby or by the Limited Offering Memorandum (excluding the Appendix thereto and the documents incorporated in the Appendix by reference), (B) adversely affect or put in question the validity or enforceability of the Bonds, the Indenture, the Agreement, the DTC Letter, this Placement Agreement, the Letter of Representation or any other agreement, instrument or document to which the County is a party or by which it is bound relating to the consummation of the transactions contemplated hereby or by the Limited Offering Memorandum (excluding the Appendix thereto and the documents incorporated in the Appendix by reference), or (C) adversely affect the tax-exempt status of the Bonds.

(i) The County will not take or omit to take any action the taking or omission of which will cause the proceeds from the sale of the Bonds to be applied in a manner contrary to that provided for in the Indenture and the Agreement, as amended from time to time.

(j) Any certificate signed by an authorized officer of the County delivered to the Placement Agent shall be deemed to be a representation and warranty by the County to the Placement Agent as to the statements made therein.

(k) The County has not since December 31, 1975 defaulted in the payment of the principal of or interest on any of its bonds, notes, warrants or any other securities or any legally authorized obligation issued by the County and is not currently in default in the payment of any such principal or interest.

(l) The County has not been notified of any listing or proposed listing by the Internal Revenue Service to the effect that the County is a bond issuer whose arbitrage certifications may not be relied upon.

5. At 9:00 A.M. Pensacola Time, on July 1, 1997, or at such other time or on such earlier or later business day as shall have been mutually agreed upon by the County and the Placement Agent with the consent of the Company (the "Closing Date"), the County will deliver to the Placement Agent the Bonds in definitive form, duly executed and authenticated, together with the other documents hereinafter mentioned, and, upon payment by the Company to the Placement Agent of the Fee in immediately available funds, the Placement Agent will accept such delivery of the Bonds and pay the purchase price therefor in immediately available funds, payable to the order of the Trustee for the account of the County. The Bonds so delivered will be in form acceptable for deposit with DTC and shall be registered in such names as the Placement Agent may request no less than two business days prior to the Closing Date and will be available for checking and packaging by the Placement Agent at a place suitable therefor at least 20 hours prior to the Closing Date.

6. The Placement Agent's obligations hereunder to accept delivery on behalf of the purchasers and pay for the Bonds shall be subject to the performance by the County of its obligations to be performed hereunder at or prior to the Closing Date; to the payment by the Company of the Fee and the performance by the Company of the other obligations and agreements to be performed by it at or prior to the Closing Date hereunder and under the Letter of Representation; and to the accuracy in all material respects of the representations and warranties of the County and of the Company contained herein and in the Letter of Representation, respectively, as of the date hereof and as of the Closing Date, and shall also be subject to the following conditions:

(a) At the Closing Date, the Indenture, the Agreement, the Note and the Letter of Representation shall have been duly authorized, executed and delivered by the respective parties thereto and shall be in full force and effect, and shall not have been materially amended, modified or supplemented except as may have been agreed to in writing by the Placement Agent; provided, however, that the acceptance of delivery of the Bonds by the Placement Agent on the Closing Date shall be deemed to constitute such agreement pursuant to the foregoing.

(b) At the Closing Date, the Bonds shall have been duly authorized, executed and authenticated in accordance with the provisions of the Indenture.

(c) No amendment or supplement to the Limited Offering Memorandum filed subsequent to the date hereof (including any filing made by the Company pursuant to Section 13 or 14 of the Securities Exchange Act of 1934, as amended (the "Exchange Act")) shall be unsatisfactory in form to Dewey Ballantine or shall contain information (other than with respect to an amendment or supplement relating solely to the activity of the Placement Agent) which, in the reasonable judgment of the Placement Agent, shall materially impair the marketability of the Bonds.

(d) At or prior to the Closing Date, no order, decree or injunction of any court of competent jurisdiction, nor any order, ruling, regulation or administrative proceeding by any governmental official, body or board, shall have been issued or commenced, nor shall any legislation have been enacted, with the purpose or effect of prohibiting the issuance, offering or sale of the Bonds as contemplated hereby or by the Limited Offering Memorandum or the execution or performance of the Indenture, the Agreement or the Note in accordance with their respective terms.

(e) At the Closing Date, there shall be in full force and effect appropriate orders of the Securities and Exchange Commission and the Florida Public Service Commission authorizing the participation

of the Company in the transactions contemplated hereby and by the Limited Offering Memorandum (excluding the Appendix thereto and the documents incorporated in the Appendix by reference).

(f) At or prior to the Closing Date, the Placement Agent shall have received the following documents:

(1) Executed counterparts, or certified copies, of the Agreement, the DTC Letter, the Remarketing Agreement (as defined in the Letter of Representation), the Indenture, the Letter of Representation and the Note.

(2) Executed copies or photocopies of the applications to, including all amendments, and orders of, the Securities and Exchange Commission and the Florida Public Service Commission authorizing the participation of the Company in the transactions contemplated hereby and by the Limited Offering Memorandum.

(3) Opinions dated the Closing Date, with such changes as the Placement Agent shall approve, of (i) Balch & Bingham, LLP, Bond Counsel, substantially in the form annexed hereto as Exhibits A-1 and A-2; (ii) Beggs & Lane, General Counsel for the Company, substantially in the form annexed hereto as Exhibit B (iii) Troutman Sanders LLP, Counsel for the Company, substantially in the form annexed hereto as Exhibit C; and (iv) Dewey Ballantine, Counsel for the Placement Agent, substantially in the form annexed hereto as Exhibit D; and such counsel shall have been furnished with such documents as they may request for the purpose of enabling them to pass upon the matters to be covered by their respective opinions.

(4) An opinion, dated the Closing Date, of counsel for the County, addressed also to Balch & Bingham LLP, to the effect that: (A) the County is a duly constituted political subdivision of the State of Florida, and in good standing under such laws and is authorized to exercise the powers under the Act, (B) the County has full legal right, power and authority (i) to adopt the resolution authorizing the Bonds (the "Resolution"), (ii) to enter into the Placement Agreement, the Agreement, the DTC Letter and the Indenture, (iii) to issue and deliver the Bonds to the Placement Agent as provided in the Placement Agreement, and (iv) to carry out and consummate all other transactions contemplated by each of the aforesaid documents, and the County has complied with the provisions of the Act in all matters relating to such transaction, (C) the County has duly authorized (i) the execution, delivery and due performance of the Placement Agreement, the Bonds, the Agreement, the DTC Letter and the Indenture, (ii) the execution and delivery of the Limited Offering Memorandum dated June 30, 1997 relating to the Bonds by the County and (iii) the taking of any and all such action as may be required on the part of the County to carry out, give effect to and consummate the transactions contemplated by such instruments, (D) the Indenture, the Agreement, the DTC Letter and the Placement Agreement have been duly authorized, executed and delivered by the County and, assuming the due authorization, execution and delivery by the other respective parties thereto, the Indenture, the Agreement, the DTC Letter and the Placement Agreement constitute valid, legally binding and enforceable obligations of the County, except to the extent that their enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting the enforcement of creditors' rights generally and principles of equity affecting the availability of specific performance or other equitable relief, (E) the Note has been duly assigned to the Trustee, (F) the Resolution has been duly adopted by the County and constitutes the legal, valid and binding act of the County and has not been in any way amended, modified, rescinded or revoked, (G) the adoption of the Resolution, the execution and delivery of the Placement Agreement, the Bonds, the DTC Letter, the Agreement and the Indenture, the acceptance of the Letter of Representation and compliance with the provisions of each of such instruments will not conflict with or constitute a breach of, or default under, any commitment, agreement or other instrument to which the County is a party or by which it is bound, or under any existing law, rule, regulation, ordinance, judgement, order of decree to which the County is subject, (H) there is no action, suit, proceeding, inquiry or investigation, at law

or in equity, or before or by any court, public board or body, pending against or affecting the County, wherein an unfavorable decision, ruling or finding would materially adversely affect the transactions contemplated by the Placement Agreement or the transactions contemplated by the Limited Offering Memorandum, or which in any way would adversely affect the validity of the Resolution or the validity or enforceability of the Bonds, the Indenture, the Agreement or the Placement Agreement, (I) the County has pledged and assigned to the Trustee pursuant to the Indenture all of the County's right and interest in the Agreement (except for certain payments for indemnification and expenses), (J) the Indenture creates a valid security interest in favor of the Trustee in and to such rights and interests and in and to the trust funds created and held by the Trustee under the Indenture, subject to no prior security interest; and (K) the statements in the Limited Offering Memorandum under the caption "The Counties", insofar as they relate to the County purport to constitute summaries of the matters referred to therein, fairly and accurately summarize the matters summarized therein.

(5) A letter, dated the Closing Date, of Arthur Andersen LLP, substantially to the effect set forth in Exhibit E hereto.

(6) A certificate, satisfactory to the Placement Agent, of the Chairman or Vice Chairman of the County attested by the Clerk or other duly authorized officer of the County satisfactory to the Placement Agent, dated the Closing Date, to the effect that: (A) the County has duly performed all of its obligations to be performed in connection with the issuance and sale of the Bonds at or prior to the Closing Date and each of the representations and warranties of the County contained herein is true and correct as of the Closing Date; (B) the County has authorized, by all necessary action, the execution, delivery, receipt and due performance of the Indenture, the Agreement, the Placement Agreement, the Letter of Representation, the DTC Letter and any and all such other agreements and documents as may be required to be executed, delivered, received and/or performed by the County in order to carry out, give effect to and consummate the transactions contemplated on its part by the Indenture, the Agreement and the Limited Offering Memorandum; (C) the Bonds, the Indenture and the Agreement conform to the descriptions thereof herein and in the Limited Offering Memorandum; (D) no litigation is pending, or to the best of his knowledge threatened, to restrain or enjoin the issuance or sale of the Bonds or in any way affecting any authority for or the validity of the Bonds, the Indenture, the DTC Letter or the Agreement or the existence or powers of the County or the right of the County to loan the proceeds of the Bonds to the Company or the collection of receipts and revenues pledged or to be pledged to pay the principal of, premium, if any, and interest on the Bonds, including without limitation payments under the Agreement or the Note; and (E) neither the execution, delivery, receipt or due performance of the Indenture, the Agreement, the Placement Agreement, the DTC Letter or the other agreements contemplated hereby or by the Limited Offering Memorandum under the circumstances contemplated hereby or thereby, nor the compliance by the County with the provisions thereof, nor acceptance of the Letter of Representation, will conflict with or constitute on the part of the County a breach of or a default under any existing law, court or administrative regulation, decree or order or any agreement or other instrument to which the County is subject or by which it is or may be bound.

(7) A certificate, dated the Closing Date, of the President or any Vice President and the Treasurer or an Assistant Treasurer of the Company to the effect that:

(i) the representations and warranties contained in Section 1 of the Letter of Representation are true and correct at and as of the Closing Date and that the Company has satisfied all conditions therein contained to be satisfied at or prior to the Closing Date; and

(ii) there has not been any material adverse change in the business, properties or financial condition of the Company from that set forth in or contemplated by the Limited Offering Memorandum.

(B) Evidence satisfactory to the Placement Agent that the Bonds have been rated "A2/VMIG1" by Moody's Investors Service, Inc.

(9) Such additional certificates, instruments and other documents as the Placement Agent or its counsel may deem necessary to evidence the accuracy as of the Closing Date of the representations of the County and the Company contained herein and in the Letter of Representation, respectively, and the due performance or satisfaction by the County and the Company at or prior to such time of all agreements then to be performed and all conditions then to be satisfied by the County and the Company in connection with the issuance of the Bonds.

If the County or the Company shall be unable to satisfy the conditions of the obligations of the Placement Agent contained in this Placement Agreement, or if the obligations of the Placement Agent shall be terminated for any reason permitted by this Placement Agreement, this Placement Agreement shall terminate and neither the Placement Agent nor the County shall be under further obligation hereunder except as otherwise provided in Section 8 hereof.

7. The County agrees to cooperate with the Placement Agent and its counsel and the Company (i) in arranging for the qualification of the Bonds for offer and sale under the securities or "blue sky" laws of such jurisdictions as the Placement Agent may request; provided, however, that the County will not be required to execute a special or general consent to service of process or quality as a foreign corporation in connection with any such qualification in any jurisdiction, and (ii) in applying for and securing ratings on the Bonds by Moody's Investors Service, Inc. and Standard & Poor's Ratings Group.

8. All expenses and costs incident to the authorization, issuance, printing, sale and delivery, as the case may be, of the Bonds, the Indenture, the Agreement, the Note, the DTC Letter, the Preliminary Limited Offering Memorandum, the Limited Offering Memorandum, the Letter of Representation and this Placement Agreement including without limitation (i) the Fee; (ii) fees and disbursements of counsel for the Placement Agent in connection with the qualification of the Bonds for sale under the securities or "blue sky" laws of various jurisdictions; (iii) the preparation and printing of the "blue sky" survey; (iv) any documentary, stamp or other taxes in connection with the issuance and sale of the Bonds hereunder, (v) all filing, registration and recording fees and expenses; (vi) fees of the Trustee; and (vii) the fees and disbursements of Bond Counsel. Counsel for the Placement Agent and Counsel for the County shall be paid by the Company pursuant to the Letter of Representation. Nothing herein shall be construed to relieve the Placement Agent of its liability for its default hereunder. The Placement Agent shall pay (i) all advertising expenses in connection with the public offering of the Bonds and (ii) all other expenses incurred by them in connection with their public offering and distribution of the Bonds.

9. The Placement Agent may terminate this Placement Agreement by notification to the County and the Company if at any time subsequent to the date hereof and at or prior to the Closing Date (i) legislation shall be enacted by the Congress or adopted by either house thereof or a decision shall be rendered by a federal court, including the Tax Court of the United States, or a ruling, regulation or official statement by or on behalf of the Treasury Department of the United States, the Internal Revenue Service or other governmental agency shall be made, which has the purpose or effect of imposing federal taxation upon receipts, revenues or other income of the general character expected to be derived by the County, including without limitation payments under the Note, or upon interest received on bonds of the same kind and character as the Bonds which would have the effect of changing directly or indirectly the federal income tax consequences of interest on bonds of the same kind and character as the Bonds in the hands of the holders thereof or (ii) there shall have occurred any outbreak or escalation of major hostilities in which the United States is involved, any declaration of war by the United States Congress or any other substantial national or international calamity or emergency affecting the United States, or there shall have occurred and be continuing beyond one full business day prior to the Closing Date, a general suspension of trading on the New York Stock Exchange or the declaration of a general banking moratorium by United States or New York State authorities; in case of either

(i) or (ii), with the result that, in the opinion of the Placement Agent, the marketability of the Bonds shall have been materially and adversely affected thereby.

10. This Placement Agreement shall be governed by and construed in accordance with the laws of the State of Florida.

11. Any notice or other communication to be given to the County under this Placement Agreement may be given by delivering the same in writing to the Board of Commissioners of Jackson County, Administration Building, Marianna, Florida 3246, to the attention of the Chairman. Any notice or other communication to be given to the Placement Agent under this Placement Agreement may be given by delivering the same in writing to SunTrust Bank, Atlanta, Georgia, Attn: Henry B. Harris, III.

12. Truth in Bonding Statement. The County is proposing to issue $3,930,000 of Jackson County, Florida Pollution Control Revenue Refunding Bonds (Gulf Power Company Project), Series 1997 (the "Series 1997 Bonds") in order to provide funds for the redemption of all the outstanding Series 1992 Bonds (as hereinafter defined). The County has heretofore issued $3,930,000 aggregate principal amount of its Pollution Control Revenue Refunding Bonds (Gulf Power Company Project), Series 1992 (the "Series 1992 Bonds"), to provide funds to pay a portion of the cost of certain air and water pollution control facilities at the Scholz Steam Plant of Gulf Power Company (the "Company").

The debt or obligation created by the Series 1997 Bonds is expected to be repaid over a period of twenty-five (25) years from the date of issuance, with interest payments commencing August 7, 1997. Because the Series 1997 Bonds bear a variable interest rate, the net interest cost (NIC) will be determined by the interest rate in effect from time to time over the twenty-five (25)-year period.

The County will loan to the Company the proceeds of the Series 1997 Bonds pursuant to a Loan Agreement, dated as of July 1, 1997. In order to evidence the loan from the County and to provide for its repayment, the Company will issue a non-negotiable promissory note (the "Note"). The source of repayment for this proposal to issue the Series 1997 Bonds are the payments required under the Note, which will be sufficient to pay when due the principal of, premium, if any, and interest on the Series 1997 Bonds.

13. Public Entity Crime Statement. Reference is made to Florida Statutes Section 287.133(2)(a), which provides: "A person or affiliate who has been placed on the convicted vendor list following a conviction for a public entity crime may not submit a bid on a contract to provide any goods or services to a public entity, may not submit a bid on a contract with a public entity for the construction or repair of a public building or public work, may not submit bids on leases of real property to a public entity, may not be awarded or perform work as a contractor, supplier, subcontractor, or consultant under a contract with any public entity, and may not transact business with any public entity in excess of the threshold amount provided in s. 287.017 for CATEGORY TWO for a period of 36 months from the date of being placed on the convicted vendor list."

14. This Placement Agreement will inure to the benefit of the County, the Placement Agent and the Company and their respective successors and assigns, and no other person will have any right or obligation hereunder. The terms "successors" and "assigns" shall not include any purchaser of Bonds from the Placement Agent solely by reason of such purchase.

15. The representations and warranties of the County contained herein, or in the certificates of officials of the County submitted to the Placement Agent pursuant hereto, shall remain operative and in full force and effect regardless of any investigation made by or on behalf of any Placement Agent and shall survive the delivery of the Bonds to the Placement Agent

16. This Placement Agreement may be executed in counterparts, each of which shall be deemed to be an original and all of which, taken together, shall constitute one and the same instrument.

Dated: June 30 1997

SUNTRUST BANK, ATLANTA

By: _____

Title: ASSISTANT VICE PRESIDENT

Accepted as of the date hereof:

BOARD OF COUNTY COMMISSIONERS
OF JACKSON COUNTY, FLORIDA

By: _____

Title: _____

Dated: June 30, 1997

SUNTRUST BANK, ATLANTA

By:_____

Title _____

Accepted as of the date hereof:

BOARD OF COUNTY COMMISSIONERS
OF JACKSON COUNTY, FLORIDA

By: _____

Title: Chairman

EXHIBIT A-1
to the
Placement Agreement

[LETTERHEAD OF BALCH & BINGHAM LLP]

July __, 1997

SunTrust Bank, Atlanta
303 Peachtree Street
Atlanta, Georgia

Board of County Commissioners
Jackson County, Florida

Gulf Power Company
500 Bayfront Parkway
Pensacola, Florida

Ladies and Gentlemen:

We have acted as Bond Counsel in connection with the issuance by Jackson County, Florida (the "County") of $3,930,000 aggregate principal amount of its Pollution Control Revenue Refunding Bonds (Gulf Power Company Project) Series 1997 (the "Series 1997 Bonds"). The Series 1997 Bonds are being issued pursuant to the Florida Industrial Development Financial Act, which, as amended, appears as Part II of Chapter 159, Florida Statutes, Sections 159.25 to 159.431, inclusive, (the "Act"). The proceeds of the Series 1997 Bonds are to be used for the purpose of providing funds for the redemption of all the outstanding Series 1992 Bonds (as hereinafter defined). The County has heretofore issued $3,930,000 aggregate principal amount of its Pollution Control Revenue Refunding Bonds (Gulf Power Company Project) Series 1992 (the "Series 1992 Bonds"), to provide funds to pay a portion of the cost of certain air and water pollution control facilities at the Scholz Steam Plant of Gulf Power Company (the "Company"). The Series 1997 Bonds are herein referred to as the "Bonds". The air and water pollution control facilities at the Company's Scholz Steam Plant financed with the proceeds of the Series 1992 Bonds are referred to herein as the "Project".

The County has entered into a Loan Agreement, dated as of July 1, 1997 (the "Agreement"), with the Company pursuant to which the County will loan the proceeds of the sale of the Bonds to the Company, which loan is to be evidenced by the Company's promissory note (the "Note").

All of the Bonds are issued or are to be issued under and pursuant to a Trust Indenture, dated as of July 1, 1997 (the "Indenture") by and between the County and First Union National Bank, as trustee (said banking corporation and any bank or trust company becoming successor trustee under the Indenture being herein called the "Trustee"), to be executed and delivered on or prior to the Closing Date (as hereinafter defined).

In our capacity as Bond Counsel we have examined such documents, records of the County and other instruments as we deem necessary to enable us to express the opinions set forth below, including original counterparts or certified copies of the Indenture, the Agreement and certain other documents. Our

opinions regarding authority and actions by the County are based upon direct inquiries by us, examination of a certified copy of the proceedings of the County relating to the authorization and issuance of the Series 1997 Bonds and an opinion of Baker & Swearingen, Counsel for the County, of even date herewith as to the authority, procedures and actions of the County in the authorization and issuance of the Series 1997 Bonds.

We have examined the single fully executed and authenticated Series 1997 Bond executed and authenticated on the date hereof.

Based on the foregoing, it is our opinion that:

1. The County is a political subdivision of the State of Florida validly existing under Florida law, with full authority to issue the Bonds, to loan the proceeds of the sale of Bonds to the Company, and to execute, deliver and perform its obligations under the Agreement and the Indenture.

2. The Agreement has been duly authorized, executed and delivered by the County and the Company and constitutes a legal, valid and binding obligation of the County in accordance with its terms.

3. The Indenture has been duly authorized, executed and delivered by the County and the Trustee and constitutes a legal, valid and binding obligation of the County in accordance with its terms.

4. By the terms of the Indenture, the County's right in the Agreement and in all revenues and receipts received or to be received thereunder (except for rights to indemnification) have been effectively assigned to the Trustee as security for the Bonds, and the Indenture creates a valid security interest in favor of the Trustee in and to such rights, subject to no prior security interest.

5. The issuance and sale of the Series 1997 Bonds have been duly authorized by the County; the Series 1997 Bonds have been duly executed and delivered by the County and authenticated by the Trustee; and the Series 1997 Bonds are legal, valid and binding limited obligations of the County, payable in accordance with the terms of the Indenture and entitled to the benefit and security of the Indenture.

6. Under the Act, the Series 1997 Bonds and the interest thereon are exempt from all present Florida taxation, except estate taxes and taxes imposed by Chapter 220, Florida Statutes, on interest, income or profits on debt obligations owned by corporations.

7. The interest on the Series 1997 Bonds is excluded from gross income for federal income tax purposes, except for the interest on any Series 1997 Bond during any period while it is held by a "substantial user" of the Project or a "related person" within the meaning of section 147(a) of the Internal Revenue Code of 1986, as amended (the "Code"). Interest on the Series 1997 Bonds will not be treated as a specific preference item for purposes of calculating the federal alternative minimum tax imposed on individuals or corporations, but such interest will be includable in adjusted current earnings in computing the federal alternative minimum tax imposed on certain corporations. The opinion set forth in the first sentence of this paragraph is rendered in reliance upon certain certifications and representations of the County, the Trustee and the Company made at the time of issuance of the Series 1997 Bonds, and is subject to the condition that the County, the Trustee and the Company comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Series 1997 Bonds in order that interest thereon be and continue to be excluded from gross income for federal income tax purposes. Failure to comply with such requirements could cause the interest on the Series 1997 Bonds to be included in gross income retroactively to the date of issuance. The County, the Trustee and the Company have covenanted to comply with such

requirements. We express no opinion regarding other federal tax consequences arising with respect to the Series 1997 Bonds.

The obligations of the parties with respect to the documents described above are subject, in part, to the provisions of the Federal Bankruptcy Code and any applicable bankruptcy, insolvency, reorganization, moratorium or similar law relating to or affecting the enforcement of creditors' rights now or hereafter in effect. Such obligations are also subject to equity principles which may limit the specific enforcement of certain remedies, but which do not affect the validity of such documents and do not make inadequate other remedies available to the holders of the Bonds for the enforcement of such obligations.

Respectfully submitted,

EXHIBIT A-2
to the
Placement Agreement

[Letterhead of Balch & Bingham LLP]

SunTrust Bank, Atlanta

July , 1997

Ladies and Gentlemen:

Reference is made to our opinion delivered to you concurrently herewith relating to the $3,930,000 aggregate principal amount of Pollution Control Revenue Refunding Bonds, (Gulf Power Company Project) Series 1997 (the "Bonds") of Jackson County, Florida (the "County") and Section 6(f)(3)(i) of the Placement Agreement, dated June __, 1997 (the "Placement Agreement"), between the County and SunTrust Bank, Atlanta (the "Placement Agent"). Terms not defined herein shall have the meanings accorded to such term in the Placement Agreement.

We have reviewed the Limited Offering Memorandum incident to our activities as Bond Counsel. During the course of such review, we participated in conferences with representatives of the Company, its counsel, and your counsel, at which conferences the contents of the Limited Offering Memorandum were discussed. With your consent, our review as Bond Counsel, however, was limited to the information set forth in the Limited Offering Memorandum on its cover page and under the captions "Introductory Statement", "The Counties", "Use of Bond Proceeds; Refunding of Outstanding Bonds", "The Bonds", "The Agreements", "The Indentures" and "Tax Exemption".

Subject to the preceding paragraph, nothing has come to our attention which would cause us to believe that the information contained under the captioned headings described above in the Limited Offering Memorandum (other than the financial statements and other financial or statistical data contained therein, or incorporated therein by reference as to which we express no opinion) includes an untrue statement of a material fact or omits to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

The Placement Agreement has been duly authorized and accepted by the County and constitutes a valid and legally binding obligation of the County.

Such instruments as are required have been duly filed and recorded wherever necessary to perfect the security interests created by the Indenture.

The offer and sale of the Bonds do not require registration of the Bonds under the Securities Act of 1933, as amended, or qualification of the Indenture under the Trust Indenture Act of 1939, as amended.

This letter is furnished by us solely for the benefit of the Placement Agent in connection with the provisions of the Placement Agreement and may not be relied upon by any other person.

Very truly yours,

EXHIBIT B
to the
Placement Agreement

[Letterhead of Beggs & Lane]

July , 1997

SunTrust Bank, Atlanta
Atlanta, Georgia

Board of Commissioners
Jackson County, Florida

First Union National Bank,
as Trustee

Ladies and Gentlemen:

In connection with the issuance by Jackson County, Florida (the "County") of $3,930,000 aggregate principal amount of its Pollution Control Revenue Refunding Bonds, (Gulf Power Company Project) Series 1997 (the "Bonds") and in connection with the (i) Trust Indenture, dated as of July 1, 1997 (the "Indenture"), between the County and First Union National Bank, as trustee (the "Trustee"), (ii) Loan Agreement, dated as of July 1, 1997 (the "Agreement"), between the Gulf Power Company (the "Company") and the County, (iii) promissory note dated July , 1997 (the "Note") in the principal amount of $3,930,000 issued by the Company pursuant to the Agreement, (iv) Letter of Representation, dated June __, 1997, from the Company to the County and the Placement Agent (the "Letter of Representation"), (v) the Remarketing Agreement, dated as of July 1, 1997 (the "Remarketing Agreement") between the Company and you as remarketing agent and (vi) the Placement Agreement, dated June __, 1997 between the County and you, we have examined, among other things, the documents described in the closing memorandum as having been delivered to you by the Company at the closing and such other documents and papers as we deemed relevant to enable us to express the opinions herein set forth. We have not examined the Bonds, except specimens thereof, and are relying upon a certificate of the Trustee under the Indenture respectively, as to the execution and authentication thereof.

We have also examined the Limited Offering Memorandum dated June __, 1997 relating to the Bonds, including the Appendix thereto (the "Limited Offering Memorandum"), which incorporates by reference the Annual Report on Form 10-K of the Company for the fiscal year ended December 31, 1996, the Quarterly Report on form 10-Q of the Company for the Quarter Ended March 31, 1997 and the Current Reports on Form 8-K of the Company dated January 27, 1997 and February 12, 1997 (the "Exchange Act Documents"), each as filed under the Securities Exchange Act of 1934, as amended (the "Exchange Act").

We are of the opinion, relying as to matters of Georgia law and with respect to all federal securities laws, rules and regulations on the opinion of even date herewith of Troutman Sanders LLP, that:

1. The Company is a corporation duly organized and existing under the laws of the State of Maine, is duly qualified to carry on its business as a foreign corporation in the States of Florida, Georgia and Mississippi and has due corporate authority to carry on the public utility business in which it is engaged and to own and operate the properties used by it in such business.

2. The Securities and Exchange Commission (the "Commission") and the Florida Public Service Commission have issued appropriate orders with respect to the issuance of the Note and the execution and delivery by the Company of the Agreement, and such orders, to the best of our knowledge, remain in effect; such orders are sufficient for, and no approval or consent of any other governmental body (other than in connection or compliance with the provisions of the securities or "blue sky" laws of any jurisdiction) is legally required for, the issuance of the Note or the execution and delivery by the Company of the Agreement.

3. The Company had full power and authority to execute the Agreement, the Note, the Remarketing Agreement and the Letter of Representation, and the Agreement, the Note, the Remarketing Agreement and the Letter of Representation have been duly authorized, executed and delivered by the Company and are valid and legally binding obligations of the Company, except as rights to indemnity under the Letter of Representation and the Remarketing Agreement may be limited by principles of public policy.

4. The statements summarizing the provisions of the Bonds, the Agreement, the Note and the Indenture contained in the Limited Offering Memorandum under the captions "The Bonds", "The Agreements" and "The Indentures" accurately and fairly present the information purported to be shown.

5. The execution and delivery of the Agreement, the Note, the Remarketing Agreement and the Letter of Representation by the Company will not result in a breach of or constitute a default under the charter or bylaws of the Company or any indenture, mortgage, deed of trust, agreement or other instrument, of which we have knowledge, to which the Company is a party or by which it or any of its property is bound or any order, rule or regulation applicable to the Company of any court or other governmental body having jurisdiction over the Company or its property.

We have no knowledge of any material litigation or proceedings pending or threatened which challenge the validity of the Note, the Agreement, the Remarketing Agreement or the Letter of Representation, or which seek to enjoin the performance of the Company's obligations thereunder.

We have not independently verified the accuracy, completeness or fairness of the statements made or included in the Limited Offering Memorandum or the Exchange Act Documents and take no responsibility therefor, except as and to the extent set forth in paragraph 4 above. In the course of the preparation by the County and the Company of the Limited Offering Memorandum, we participated in conferences with certain officers and employees of the Company, with representatives of Arthur Andersen LLP, with other counsel for the Company and with Bond Counsel. In addition, in the course of the preparation by the Company of the Exchange Act Documents, we participated in conferences with certain officers and employees of the Company and with representatives of Arthur Andersen LLP. Based upon our examination of the Limited Offering Memorandum and the Exchange Act Documents and our participation in the conferences referred to above, (i) we are of the opinion that the Exchange Act Documents, as of their respective dates of filing with the Commission, complied as to form in all material respects with the requirements of the Exchange Act and the applicable rule and regulations of the Commission thereunder, except that in each case we express no opinion or belief as to the financial statements or other financial or statistical data contained or incorporated by reference in the Exchange Act Documents, and (ii) we have no reason to believe that the Limited Offering Memorandum (including the Exchange Act Documents) contains any untrue statement of a material fact or omits to state any material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading, except that in each case we express no opinion or belief with respect to the financial statements or other financial or statistical data contained or incorporated by reference in the Limited Offering Memorandum or the Exchange

Act Documents or with respect to the information in the Limited Offering Memorandum under the captions "The Counties," "The Bonds-Book-Entry System", "Placement" and "Tax Exemption".

We are members of the State Bar of Florida and we do not express any opinion herein concerning any law other than law of the State of Florida and the federal law of the United States and, to the extent necessary to render the opinions set forth herein, the laws of the State of Georgia, Mississippi and Maine.

This opinion is rendered to you in connection with the above described transaction. This opinion may not be relied upon by you for any other purpose, or relied upon by, or furnished to, any other person, firm or corporation without our prior consent, except that Dewey Ballantine and Troutman Sanders LLP may rely on this opinion in giving their opinions pursuant to Section 6 of the Purchase Contract insofar as such opinions relate to matters of Florida and Mississippi law.

Very truly yours,

EXHIBIT C
to the Placement Agreement

[LETTERHEAD OF TROUTMAN SANDERS LLP]

_____, 1997

SunTrust Bank, Atlanta
Atlanta, Georgia

Re: $3,930,000 Jackson County, Florida Pollution Control Revenue Refunding Bonds (Gulf Power Company Project), Series 1997

Ladies and Gentlemen:

We have acted as counsel to Gulf Power Company (the "Company") in connection with the placement by you of $3,930,000 aggregate principal amount of Jackson County, Florida Pollution Control Revenue Refunding Bonds (Gulf Power Company Project), Series 1997 (the "Bonds"), pursuant to the Placement Agreement dated _____, 1997 (the "Placement Agreement"), between Jackson County, Florida and you.

We have examined (i) the Limited Offering Memorandum dated _____, 1997 relating to the Bonds, including the appendix thereto (the "Limited Offering Memorandum"), which incorporates by reference the Annual Report on Form 10-K of the Company for the fiscal year ended December 31, 1996, the Quarterly Report on Form 10-Q of the Company for the quarter ended March 31, 1997 and the Current Reports on Form 8-K of the Company dated January 27, 1997 and February 12, 1997 (the "Exchange Act Documents"), each as filed under the Securities Exchange Act of 1934, as amended (the "Exchange Act"); (ii) the Trust Indenture relating to the Bonds, dated as of July 1, 1997 (the "Trust Indenture") between the County and First Union National Bank, as trustee; (iii) the Loan Agreement dated as of July 1, 1997 (the "Agreement") between the County and the Company; (iv) the promissory note dated _____, 1997 (the "Note") in the aggregate principal amount of $3,930,000 issued by the Company pursuant to the Agreement; (v) the Placement Agreement; (vi) the Letter of Representation dated July __, 1997 (the "Letter of Representation") among the Company, the County and you; and (vii) the Remarketing Agreement, dated as of July 1, 1997 (the "Remarketing Agreement") between the Company and you, as remarketing agent. In addition, we have examined, and have relied as to matters of fact upon, the documents delivered to you at the closing (except the Bonds of which we have examined a specimen), and upon originals or copies, certified or otherwise identified to our satisfaction, of such corporate records, agreements, documents and other instruments and such certificates or comparable documents of public officials and of officers and representatives of the County and the Company, and have made such other and further investigations, as we deemed relevant and hereinafter set forth.

In su ' examination, we have assumed the genuineness of all signatures, the legal capacity of natural persons, the authenticity of all documents submitted to us as originals, the conformity to original documents of all documents submitted to us as certified or photostatic copies, and the authenticity of the originals of such latter documents.

Based upon the foregoing, and subject to the qualifications and limitations stated herein, we hereby advise you that in our opinion:

1. The Company is a corporation duly organized and existing under the laws of the State of Maine, is duly qualified to carry on its business as a foreign corporation in the States of Florida, Georgia and Mississippi and has due corporate authority to carry on the public utility business in which it is engaged and to own and operate the properties used by it in such business.

2. The Company had full power and authority to execute the Agreement, the Note, the Remarketing Agreement and the Letter of Representation, and the Agreement, the Note, the Remarketing Agreement and the Letter of Representation have been duly authorized, executed and delivered by the Company and are valid and legally binding obligations of the Company, except as rights to indemnity under the Letter of Representation and the Remarketing Agreement may be limited by principles of public policy.

3. The statements summarizing the provisions of the Bonds, the Agreement, the Note and the Indenture contained in the Limited Offering Memorandum under the captions "The Bonds", "The Agreements" and "The Indentures" accurately and fairly present the information purported to be shown.

4. The execution and delivery of the Agreement, the Note, the Remarketing Agreement and the Letter of Representation by the Company will not result in a breach of or constitute a default under the charter or bylaws of the Company or any indenture, mortgage, deed of trust, agreement or other instrument, of which we have knowledge, to which the Company is a party or by which it or any of its property is bound or any order, rule or regulation applicable to the Company of any court or other governmental body having jurisdiction over the Company or its property.

5. The Securities and Exchange Commission (the "Commission") and the Florida Public Service Commission have issued appropriate orders with respect to the issuance of the Note and the execution and delivery by the Company of the Agreement, and such orders, to the best of our knowledge, remain in effect; such orders are sufficient for, and no approval or consent of any other governmental body (other than in connection or compliance with the provisions of the securities or "blue sky" laws of any jurisdiction) is legally required for, the issuance of the Note or the execution and delivery by the Company of the Agreement.

6. The Bonds are exempted securities within the meaning of Section 3(a)(2) of the Securities Act of 1933, as amended (the "Act"), and it is not necessary in connection with the sale of the Bonds to the public to register the Bonds or the Note under the Act or to qualify the Trust Indenture under the Trust Indenture Act of 1939, as amended.

In rendering the opinion expressed in paragraph 6 above, we have relied upon the legal opinion dated the date hereof, rendered to you by Balch & Bingham LLP, Bond Counsel, pursuant to the Placement Agreement as to the exclusion from gross income for federal income tax purposes of interest on the Bonds and have made no independent investigation with respect to such exclusion.

We have not independently verified the accuracy, completeness or fairness of the statements made or included in the Limited Offering Memorandum or the Exchange Act Documents and take no responsibility therefor except as and to the extent set forth in paragraph 3 above. In the course of the preparation by the County and the Company of the Limited Offering Memorandum, we participated in conferences with certain officers and employees of the Company, with representatives of Arthur Andersen LLP with other counsel for the Company, and with Bond Counsel. In addition, in the course of the preparation by the Company of the Exchange Act Documents, we participated in conferences with certain officers and employees of the Company, and with representatives of Arthur Andersen LLP. Based upon our examination of the Limited Offering Memorandum and the Exchange Act Documents and our participation in the conferences referred to above, (i) we are of the opinion that the Exchange Act Documents, as of their respective dates of filing with the Commission, complied as to form in all material respects with the

requirements of the Exchange Act and the applicable rules and regulations of the Commission thereunder, except that in this case we express no opinion or belief as to the financial statements or other financial or statistical data contained or incorporated by reference in the Exchange Act Documents, and (ii) we have no reason to believe that the Limited Offering Memorandum (including the Exchange Act Documents) contains any untrue statement of a material fact or omits to state any material fact necessary in order to make the statements therein, in the light of circumstances under which they were made, not misleading, except that in each case we express no opinion or belief with respect to the financial statements or other financial or statistical data contained or incorporated by reference in the Limited Offering Memorandum or the Exchange Act Documents or with respect to the information in the Limited Offering Memorandum under the captions "The Counties", "The Bonds-Book-Entry System", "Placement" and "Tax Exemption".

We are members of the State Bar of Georgia and we do not express any opinion herein concerning any law other than the law of the State of Georgia and the federal law of the United States and, to the extent necessary to render the opinions set forth herein, the laws of the States of Florida, Mississippi and Maine.

This opinion is rendered to you in connection with the above described transaction. This opinion may not be relied upon by you for any other purpose, or relied upon by, or furnished to, any other person, firm or corporation without our prior written consent except that Dewey Ballantine and Beggs & Lane may rely on this opinion in giving their opinions pursuant to Section 6 of the Placement Agreement insofar as such opinions relate to matters of Georgia law.

Very truly yours,

TROUTMAN SANDERS LLP

EXHIBIT D
to the Placement Agreement

(LETTERHEAD OF DEWEY BALLANTINE)

_____, 1997

SunTrust Bank, Atlanta
Atlanta, Georgia

Re: $3,930,000 Jackson County, Florida Pollution Control Revenue Refunding Bonds (Gulf Power Company Project), Series 1997

Ladies and Gentlemen:

We have acted as your counsel in connection with the placement by you of $3,930,000 aggregate principal amount of Jackson, County, Florida Pollution Control Revenue Refunding Bonds (Gulf Power Company Project), Series 1997 (the "Bonds"), pursuant to the Placement Agreement dated _____, 1997 (the "Placement Agreement") between you and Jackson, County, Florida (the "County").

We have examined (i) the Limited Offering Memorandum dated _____, 1997 relating to the Bonds, including the Appendix thereto (the "Limited Offering Memorandum"), which incorporates by reference the Annual Report on Form 10-K of Gulf Power Company (the "Company") for the fiscal year ended December 31, 1996, the Quarterly Report on Form 10-Q of the Company for the quarter ended March 31, 1997, and the Current Reports on Form 8-K of the Company dated January 27, 1997 and February 12, 1997 (the "Exchange Act Documents"); (ii) the Trust Indenture relating to the Bonds, dated as of July 1, 1997 (the "Indenture") between the County and First Union National Bank, as trustee (the "Trustee"); (iii) the Loan Agreement, dated as of July 1, 1997 (the "Agreement") between the Company and the County; (iv) the promissory note dated _____, 1997 (the "Note") in the aggregate principal amount of $3,930,000 issued by the Company pursuant to the Agreement; (v) the Placement Agreement, (vi) the Letter of Representation dated _____, 1997 (the "Letter of Representation") among the Company, the County and you; and (vii) the Remarketing Agreement, dated as of July 1, 1997 (the "Remarketing Agreement") between the Company and you, as remarketing agent. In addition, we have examined, and have relied as to matters of fact upon, the documents delivered to us at the closing (except the Bonds of which we have examined a specimen), and upon originals or copies, certified or otherwise identified to our satisfaction, of such corporate records, agreements, documents and other instruments and such certificates or comparable documents of public officials and of officers and representatives of the County and the Company, and have made such other and further investigations, as we deemed relevant and necessary as a basis for the opinions hereinafter set forth.

In such examination, we have assumed the genuineness of all signatures, the legal capacity of natural persons, the authenticity of all documents submitted to us as originals, the conformity to original documents of all documents submitted to us as certified or photostatic copies, and the authenticity of the originals of such latter documents.

We understand that included among the opinions you are receiving concurrently herewith is an opinion of Beggs & Lane, general counsel to the Company, and Troutman Sanders LLP, counsel for the Company. In rendering this opinion, we have, with your consent, relied on said opinion of Beggs and Lane

Troutman Sanders LLP to the extent that it relates to matters of conformity to Florida, Mississippi and Georgia law. With respect to the opinion expressed in paragraph (5) below, we have, with your consent, relied on an opinion of even date herewith rendered by Balch & Bingham LLP in its capacity as Bond Counsel, to the effect, among other things, that interest on the Bonds, to the extent set forth in such opinion, is excluded from gross income for federal income tax purposes.

Based on the foregoing, and subject to the qualifications and limitations stated herein, we are of the opinion that:

1. The Company is a corporation duly organized and existing under the laws of the State of Maine, is duly qualified to carry on its business as a foreign corporation in the States of Florida, Georgia and Mississippi and has due corporate authority to carry on the public utility business in which it is engaged and to own and operate the properties used by it in such business.

2. All orders, consents or other authorizations or approvals of the Florida Public Service Commission and the Securities and Exchange Commission (the "Commission") legally required for the issuance of the Note and with respect to the authorization, execution and delivery of the Agreement by the Company have been obtained; and no other order, consent or other authorization or approval of any Florida or United States governmental body (other than in connection or in compliance with the provisions of the securities or "blue sky" laws of any jurisdiction, as to which we express no opinion) is legally required for the issuance of the Note or the authorization, execution and delivery of the Agreement by the Company.

3. The Agreement, the Remarketing Agreement, the Letter of Representation and the Note have been duly authorized, executed and delivered by the Company and constitute valid and legally binding obligations of the Company enforceable against the Company in accordance with their respective terms, subject to the qualifications that the enforceability of the Company's obligations under the Agreement, the Remarketing Agreement, the Letter of Representation and the Note may be limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws relating to or affecting creditors' rights generally, by general equitable principles (regardless of whether such enforceability is considered in a proceeding in equity or at law) and by any principles of public policy affecting the right to enforce the indemnification provisions contained in the Remarketing Agreement and the Letter of Representation.

4. The statements made in the Limited Offering Memorandum under the captions "The Bonds", "The Agreements" and "The Indentures", insofar as they purport to constitute summaries of the terms of documents referred to therein, constitute accurate summaries of the terms of such documents in all material respects; provided that no opinion is expressed with respect to the information contained under the heading "The Bonds-Book-Entry System."

5. The Bonds are exempted securities within the meaning of Section 3(a)(2) of the Securities Act of 1933, as amended (the "Act"), and it is not necessary in connection with the sale of the Bonds to the public to register the Bonds or the Note under the Act or to qualify the Trust Indenture under the Trust Indenture Act of 1939, as amended.

We have not independently verified the accuracy, completeness or fairness of the statements made or included in the Limited Offering Memorandum or the Exchange Act Documents and take no responsibility therefor, except as and to the extent set forth in paragraph 4 above. In the course of the preparation by the County and the Company of the Limited Offering Memorandum, we participated in conferences with certain officers and employees of the Company, with representatives of Arthur Andersen LLP, with counsel for the Company and with Bond Counsel. In addition, in the course of the preparation by the Company of the Exchange Act Documents, we participated in conferences with certain officers and employees of the Company, with representatives of Arthur Andersen LLP and with counsel for the Company. Based upon our examination of the Limited Offering Memorandum and the Exchange Act Documents and our participation in the conferences referred to above, (i) we are of the opinion that the Exchange Act Documents, as of their respective dates of filing with the Commission, complied as to form in all material respects with the requirements of the Exchange Act and the applicable rules and regulations of the Commission thereunder, except that in each case we express no opinion or belief as to the financial statements or other financial or statistical data contained or incorporated by reference in the Exchange Act Documents, and (ii) we have no reason to believe that the Limited Offering Memorandum (including the Exchange Act Documents) contains any untrue statement of a material fact or omits to state any material fact necessary in order to make the statements therein, in the light of circumstances under which they were made, not misleading, except that in each case we express no opinion or belief with respect to the financial statements or other financial or statistical data contained or incorporated by reference in the Limited Offering Memorandum or the Exchange Act Documents or with respect to the information in the Limited Offering Memorandum under the captions "The Counties", "The Bonds-Book-Entry System", "Placement" and "Tax Exemption".

Very truly yours,

DEWEY BALLANTINE

EXHIBIT E
to the Placement Agreement

[LETTERHEAD OF ARTHUR ANDERSEN LLP]

This letter will be to the effect that:

(A) Arthur Andersen LLP are independent public accountants with respect to Gulf Power Company (the "Company") under Rule 101 of the American Institute of Certified Public Accountants' Code of Professional Conduct and its interpretations and rulings; (B) at the Placement Agent's request, Arthur Andersen LLP have performed, and will report their findings as a result of performing, certain limited procedures performed through a specified date not more than five business days prior to the date of such letter, namely (i) reading of the minute books of the Company; (ii) reading of the unaudited financial statements, if any, of the Company incorporated by reference in the Appendix to the Limited Offering Memorandum (the "Appendix") and agreeing the amounts contained therein with the Company's accounting records; (iii) reading the unaudited financial statements of the Company, from which the unaudited amounts for Operating Revenues, Income Before Interest Charges, Net Income After Dividends on Preferred Stock and unaudited Ratio of Earnings to Fixed Charges included in the Appendix are derived and agreeing the amounts contained therein with the Company's accounting records; (iv) reading the latest available unaudited financial statements of the Company, if any, for any period subsequent to that set forth in (iii) above and agreeing the amounts contained therein and the unaudited amounts of Operating Revenues, Income Before Interest Charges, Net Income After Dividends on Preferred Stock and unaudited Ratio of Earnings to Fixed Charges for the period covered by such financial statements, which amounts and ratio shall be set forth in such letter, with the Company's accounting records; and (v) making inquiries of certain officials of the Company who have responsibility for financial and accounting matters regarding whether (a) the unaudited financial statements described in (ii) are in conformity with generally accepted accounting principles applied on a basis substantially consistent with that of the audited financial statements incorporated by reference in the Appendix; (b) the unaudited financial statements described in (iii) are stated on a basis substantially consistent with that of the audited financial statements incorporated by reference in the Appendix; (c) the unaudited financial statements described in (ii) comply as to form in all material respects with the applicable accounting requirements of the Securities Exchange Act of 1934, as amended, and the related published rules and regulations thereunder; (d) the specified unaudited amounts or ratios described in (iii) are stated on a basis substantially consistent with that of the corresponding audited amounts and ratios included or incorporated by reference in the Appendix; and (e) there has been any change in the capital stock or long-term debt or any decrease in net assets of the Company as compared with amounts shown in the latest audited balance sheet incorporated by reference in the Appendix, except in each case for changes or decreases which (i) the Appendix discloses have occurred or may occur, (ii) are occasioned by the declaration of dividends, (iii) are occasioned by regularly scheduled payments of capitalized lease obligations, (iv) are occasioned by the purchase or redemption of bonds or stock to satisfy mandatory redemption provisions relating thereto, or (v) are disclosed in such letter (it being understood that the foregoing procedures do not constitute an audit performed in accordance with generally accepted auditing standards and they would not necessarily reveal matters of significance with respect to the comments made in such letter, nor would they necessarily disclose changes in specified financial statement line items, inconsistencies in the application of generally accepted accounting principles, or other matters, and accordingly that Arthur Andersen LLP make no representations as to the sufficiency of such procedures for the Placement Agent's purposes).

EXHIBIT F
to the Placement Agreement

GULF POWER COMPANY

Letter of Representation

_____, 1997

BOARD OF COUNTY COMMISSIONERS
Jackson County, Florida

SUNTRUST BANK, ATLANTA
Atlanta, Georgia

Ladies and Gentlemen:

Gulf Power Company (the "Company") delivers this Letter of Representation in order to induce SunTrust Bank, Atlanta, as placement agent (the "Placement Agent"), and Jackson County, Florida (the "County") to enter into a Placement Agreement, to be dated the date hereof (the "Placement Agreement"), with the County relating to the placement by the Placement Agent from the County of $3,930,000 aggregate principal amount of its Pollution Control Revenue Bonds (Gulf Power Company Project), Series 1997 (the "Bonds"). The Bonds will be issued under and secured by a Trust Indenture, dated as of July 1, 1997 (the "Indenture"), between the County and First Union National Bank, as trustee (the "Trustee"). The proceeds of the Bonds are to be used, pursuant to the terms of a Loan Agreement, dated as of July 1, 1997 (the "Agreement"), between the County and the Company, to provide funds to refund certain of the County's bonds heretofore issued to finance or refinance the acquisition, construction, installation and equipping of the Company's interest in certain air or water pollution control facilities, or portions thereof, at Plant Scholz, in Sneads, Florida (the "Project"). The Company's payment obligations with respect to the Bonds under the Agreement will be evidenced by a non-negotiable promissory note equal in principal amount to the Bonds and bearing interest at the rate or rates borne by the Bonds (the "Note"). The Placement Agent will be appointed as the remarketing agent for the Bonds pursuant to a Remarketing Agreement (the "Remarketing Agreement") with the Company. As used in this Letter of Representation the term "Limited Offering Memorandum" means the Limited Offering Memorandum of the County, dated June __, 1997, relating to the Bonds and certain other obligations described therein, including the Appendix thereto and the documents incorporated therein by reference.

1. In consideration of the execution and delivery of the Placement Agreement, the Company represents, warrants and covenants to and with the Placement Agent and the County that:

(a) The Limited Offering Memorandum does not, and at the Closing Date (as defined in the Placement Agreement) the Limited Offering Memorandum, as it may be amended or supplemented, will not, include any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; provided, however, that none of the representations and warranties in this Letter of Representation shall apply to statements in or omissions from the Limited Offering Memorandum under the captions "The Counties", "Tax Exemption" or "Placement" or in the statements on the cover page with respect to the initial public offering price, tax exemption and terms of offering.

(b) The financial statements contained or incorporated by reference in the Limited Offering Memorandum present fairly the financial position of the Company as of the dates indicated and the results of its operations for the periods specified; and, except as otherwise stated in the Limited Offering Memorandum, said financial statements have been prepared in conformity with generally accepted accounting principles applied on a consistent basis during the periods involved.

(c) There has not been any materia' adverse change in the business, properties, or financial condition of the Company as a whole from that set forth in or contemplated by the Limited Offering Memorandum.

(d) The Company has not entered into any material transaction or incurred any material liability otherwise than in the ordinary course of business or as set forth in or contemplated by the Limited Offering Memorandum.

(e) This Letter of Representation has been, and the Agreement, the Remarketing Agreement and the Note, when executed and delivered by the Company, will be, duly authorized, executed and delivered by the Company, and assuming due authorization, execution and delivery thereof by the other parties thereto, will be legal, valid and binding obligations of the Company and will be enforceable in accordance with their respective terms except as limited by any principles of public policy limiting the right to enforce the indemnification provisions of this Letter of Representation and the Remarketing Agreement.

(f) All necessary authorizations, approvals, consents or other orders of any governmental authority or agency for the execution and delivery by the Company of the Agreement and the Remarketing Agreement and for the issuance by the Company of the Note have been obtained and are in full force and effect.

(g) The execution of this Letter of Representation, the Agreement and the Remarketing Agreement, the issuance and delivery of the Note, the consummation of the transactions herein and therein contemplated and the fulfillment of the terms hereof and thereof, did not or will not result in a breach of any of the terms and provisions of, or constitute a default under, any indenture, mortgage, deed of trust or other agreement or instrument to which the Company is a party, or of the Company's charter or by-laws or, to the knowledge of the Company, any order, rule or regulation applicable to the Company of any court or of any Federal or State regulatory body or administrative agency or other governmental body having jurisdiction over the Company or over any of its activities or its properties.

(h) The Company is a corporation duly organized and existing under the laws of the State of Maine, is duly qualified to carry on its business as a foreign corporation in the States of Florida, Georgia and Mississippi and has due corporate authority to carry on the public utility business in which it is engaged and to own and operate the properties used by it in such business.

(i) To the best of the Company's knowledge, the Securities and Exchange Commission has not issued, and is not threatening to issue, any order preventing or suspending the use of the Preliminary Limited Offering Memorandum, dated June __, 1997, relating to the Bonds and certain other obligations described therein (the "Preliminary Limited Offering Memorandum") or the Limited Offering Memorandum.

(j) Except as disclosed in or contemplated by the Limited Offering Memorandum, there is no action, suit, proceeding, inquiry or investigation, at law or in equity, or before or by any court, public board or body known to the Company to be pending or threatened against or directly affecting the Company, nor to the best of the knowledge of the Company is there any basis therefor, wherein an unfavorable decision, ruling or finding (i) would have a material adverse effect on the transactions contemplated by the Placement Agreement or the Limited Offering Memorandum (excluding

transactions contemplated solely by the Appendix thereto and the documents incorporated in the Appendix by reference), or (ii) would adversely affect the validity or enforceability of the Bonds, the Indenture, the Agreement, the Note, the Remarketing Agreement, the Placement Agreement, or this Letter of Representation, or any agreement or instrument to which the Company is a party, used or contemplated for use in connection with the consummation by the Company of the transactions contemplated by the Placement Agreement or by the Limited Offering Memorandum (excluding transactions contemplated solely by the Appendix thereto and the documents incorporated in the Appendix by reference).

(k) The Company will not take or omit to take any action the taking or omission of which would cause the proceeds from the sale of the Bonds to be applied in a manner contrary to that provided for in the Indenture and the Agreement, as amended from time to time.

(l) The Company will cooperate with the Placement Agent and its counsel in any endeavor to qualify the Bonds for offering and sale under the securities or "blue sky" laws of such jurisdictions of the United States as the Placement Agent may request; provided, however, that the Company shall not be required with respect to the offering or sale of the Bonds to file written consent to suit or to file written consent to service of process in any jurisdiction in which the Bonds may be offered or sold.

(m) The Company acknowledges the terms of the Placement Agreement as they relate to it and the Company will pay the fees, costs and expenses to be paid by it pursuant to Section 8 of the Placement Agreement (subject to the terms and conditions set forth therein).

(n) If at any time within 90 days from the Closing Date, when in the judgment of the Placement Agent delivery of the Limited Offering Memorandum in connection with an offering or sale of any of the Bonds is necessary or desirable, any event shall have occurred as a result of which, in the opinion of Dewey Ballantine, counsel for the Placement Agent, the Appendix to the Limited Offering Memorandum (including any documents incorporated therein by reference) includes an untrue statement of a material fact or omits to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, the Company will promptly notify you and prepare and supply you with sufficient copies of an appropriate amendment or supplement to said Appendix, or make an appropriate filing under the provisions of Section 13 or 14 of the Securities Exchange Act of 1934, as amended, to permit the use of the Appendix in connection with the offer or the sale of any of the Bonds from the unsold underwriting allotment (including for this purpose, Bonds held for group account) of the Placement Agent.

2. The acceptance and confirmation of this Letter of Representation by the County shall constitute a representation and warranty by the County to the Company that the representations and warranties contained in Section 4 of the Placement Agreement are true as of the date hereof and will be true in all material respects as of the Closing Date.

3. (a) The Company agrees to indemnify and hold harmless the County, any official or employee of the County, the Placement Agent, and each person, if any, who controls the Placement Agent within the meaning of Section 15 of the Securities Act of 1933, as amended (the "Securities Act"), against any and all losses, claims, damages, liabilities and expenses whatsoever arising out of any untrue statement or alleged untrue statement of a material fact contained in the Preliminary Limited Offering Memorandum (as defined in the Placement Agreement) or the Limited Offering Memorandum, or in any amendment or supplement thereto, or arising out of any omission or alleged omission to state therein a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading in any material respect, except insofar as such losses, claims, damages, liabilities or expenses arise out of any such untrue statement or omission or alleged untrue statement or omission made in any such documents in reliance upon and in conformity with written information furnished to the Company by the Placement Agent

specifically for use therein; provided, however, that the indemnity agreement contained in this Section 3(a) shall not inure to the benefit of the Placement Agent (or of any person so controlling the Placement Agent) to the extent of any losses, claims, damages, liabilities or expenses arising from the sale of the Bonds to any person if a copy of the Limited Offering Memorandum (exclusive of the documents incorporated in the Appendix by reference), as amended or supplemented at the time of such sale, shall not have been given or sent to such person by or on behalf of the Placement Agent with or prior to the written confirmation of the sale involved.

(b) The Placement Agent agrees to indemnify and hold harmless the Company, its directors and officers and each person, if any, who controls the Company within the meaning of Section 15 of the Securities Act, the County and any official or employee of the County, against any and all losses, claims, damages, liabilities and expenses whatsoever arising out of any untrue statement or alleged untrue statement of a material fact contained in the Limited Offering Memorandum, or in any amendment or supplement thereto, or any omission or alleged omission to state therein any material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading, but only to the extent that such untrue statement or alleged untrue statement or omission or alleged omission was made in any such document in reliance upon and in conformity with written information furnished to the Company by the Placement Agent specifically for use therein.

(c) The Company agrees with respect to any action against it, any of its directors or officers or any person controlling it as aforesaid, the Placement Agent agrees with respect to any action against it or any person controlling it as aforesaid, and the County agrees with respect to any action against it, or any of its officers or employees, in respect of which indemnity may be sought hereunder, that it will promptly give written notice of the commencement of such action to the party or parties against whom indemnity may be sought; but the omission so to notify any indemnifying party will not relieve such indemnifying party from any liability which it may have to the indemnified party which failed to give such notice otherwise than under this Section 3 nor affect any rights such indemnifying party may have otherwise than under this Section 3 to participate in or assume the defense of any action brought against such indemnified party. Upon receipt of any such notice by an indemnifying party, such indemnifying party shall be entitled to assume the defense of such action, including the employment of counsel and the payment of all expenses in connection with such defense, and will have the right to negotiate and consent to settlement. Any indemnified party shall have the right to employ separate counsel in any such action against it and to participate in the defense thereof, but the fees and expenses of such counsel shall be at the expense of such indemnified party unless the employment of such counsel shall have been specifically authorized in writing by the indemnifying party or the indemnifying party shall have elected not to assume the defense of such action. No indemnifying party shall be liable for any settlement of any such action effected without its consent; but if any such action is settled with the consent of an indemnifying party or if there be a final judgment for the plaintiff in any such action (of which an indemnifying party shall have been notified as aforesaid), such indemnifying party shall indemnify and hold harmless each indemnified party from and against any losses, claims, damages, liabilities or expenses incurred or suffered by reason of such settlement or judgment.

4. The Company will deliver or cause to be delivered all opinions, certificates and other documents as provided for in the Placement Agreement to be delivered by it.

5. The representations and warranties of the Company and the County contained herein, or in the certificates of officers of the Company or officials of the County submitted to the Placement Agent pursuant to the Placement Agreement, and the agreements of the Company and the Placement Agent contained in Section 3 hereof shall remain operative and in full force and effect regardless of any investigation made by or on behalf of the County or any of its officials or employees, any Placement Agent or controlling person thereof, or the Company or any of its directors or officers or controlling persons, and shall survive the delivery of the Bonds to the Placement Agent. The Company's agreement contained in Section 1(m) hereof to pay expenses shall survive the termination of the Placement Agreement and this Letter of Representation.

6. This Letter of Representation is made solely for the benefit of the County, the Placement Agent and the Company, and, to the extent expressly provided herein, any person referred to in Section 3 hereof, and their respective successors and assigns, and no other person, partnership, association or corporation shall acquire or have any right under or by virtue hereof. The terms "successors" and "assigns" shall not include any purchaser of Bonds from the Placement Agent merely because of such purchase.

7. The execution and delivery of this Letter of Representation by the Company shall constitute the Company's approval of and consent to the County s entering into, acceptance and execution of the Placement Agreement and performance thereunder.

8. This Letter of Representation shall be governed by and construed in accordance with the laws of the State of Florida.

9. Any notice or other communication to be given to the Company under this Letter of Representation may be given by delivering the same in writing to the Treasurer of the Company at its address set forth below. Any notice or other communication to be given to the County may be given by delivering the same in writing to its address set forth in the Placement Agreement. Any notice or other communication to be given to the Placement Agent may be given by delivering the same in writing at the address set forth in the Placement Agreement. The Company, the County and the Placement Agent shall each be fully entitled to rely upon notice given pursuant to this Section and to act thereon.

10. This Letter of Representation shall become effective upon execution thereof and the effectiveness of the Placement Agreement referred to herein. It shall terminate upon termination of the Placement Agreement.

11. This Letter of Representation may be executed in counterparts, each of which shall be deemed to be an original and all of which, taken together, shall constitute one and the same instrument.

Very truly yours,

GULF POWER COMPANY
500 Bayfront Parkway
Pensacola, Florida 32520

By:_____

Accepted and confirmed as of the
date first above written

SUNTRUST BANK, ATLANTA

By:_____
Title:_____

BOARD OF COUNTY COMMISSIONERS
OF JACKSON COUNTY, FLORIDA

By:_____
Title:_____

REMARKETING AGREEMENT

REMARKETING AGREEMENT, dated as of July 1, 1997, between GULF POWER COMPANY (the "Company") and SUNTRUST BANK, ATLANTA

WHEREAS, Escambia County, Florida (the "Issuer") proposes to issue its Pollution Control Revenue Refunding Bonds (Gulf Power Company Project), Series 1997 in the aggregate principal amount of $37,000,000 (the "Bonds"), pursuant to that certain Trust Indenture dated as of July 1, 1997 (the "Indenture") between the Issuer and First Union National Bank, as trustee (the "Trustee"); and

WHEREAS, pursuant to the promissory note issued under the Loan Agreement dated as of July 1, 1997 (the "Agreement"), between the Issuer and the Company, the Company has agreed to pay amounts at least sufficient to pay the principal of, and premium, if any, purchase price of, and interest on the Bonds; and

WHEREAS, SunTrust Bank, Atlanta (the "Remarketing Agent") has been appointed (and the Remarketing Agent hereby accepts the appointment) as Remarketing Agent pursuant to the Indenture; and

WHEREAS, the Company and the Remarketing Agent desire to make additional provisions regarding the Remarketing Agent's role for the Bonds.

NOW, THEREFORE, the Company and the Remarketing Agent hereby agree as follows

Section 1 Definitions. All capitalized terms used in this Remarketing Agreement which are not otherwise defined herein shall have the meanings assigned to them in the Indenture

Section 2. Confirmation of Appointment. The Company hereby confirms the appointment of the Remarketing Agent pursuant to the Indenture.

Section 3 Duties. The Remarketing Agent will perform the duties specified under the Indenture subject to the terms of the Indenture and this Remarketing Agreement In acting as Remarketing Agent, the Remarketing Agent will act as agent and not as principal except as expressly provided in this Section.

The Remarketing Agent may, if it determines to do so in its sole discretion, buy as principal any Bonds but it will not in any event be obligated to do so, and if it buys Bonds it will have the same rights as would any other person holding the Bonds.

Section 4. Disclosure Statement. (a) If the Remarketing Agent determines that it is necessary or desirable to use a disclosure statement in connection with its offering of the Bonds, the Remarketing Agent will notify the Company and the Company will provide the Remarketing Agent with a disclosure statement satisfactory to the Remarketing Agent and its counsel in respect of the Bonds The Company will supply the Remarketing Agent with such number of copies of the disclosure statement and documents related thereto as the Remarketing Agent requests from time to time and will amend the disclosure statement (and/or the documents incorporated by reference in it) so that at all times the disclosure statement and any documents related thereto will not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements in such documents, in the light of the circumstances under which they were made, not misleading. In addition, the Company will take all steps reasonably requested by the Remarketing Agent which the Remarketing Agent or its counsel may consider necessary or desirable to register the sale of the Bonds by the Remarketing Agent under any federal or state securities law or to qualify the Indenture under the Trust Indenture Act of 1939, as amended (the "Trust Indenture Act"), and will provide the Remarketing Agent such officers' certificates, counsel opinions, accountants'

letters and other documents as may be customary in similar transactions. The Company also agrees to furnish the Remarketing Agent a Disclosure Statement as defined in paragraph (b) of this Section at such times and in such quantities in order to enable the Remarketing Agent to comply with Rule 15c2-12 under the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Prior to the commencement of a Commercial Paper Period or a Long-Term Interest Rate Period or at such other time that Rule 15c2-12(b)(5) becomes applicable to the Bonds, the Company agrees to enter into a separate undertaking satisfactory to the Remarketing Agent with respect to the continuing disclosure requirements of Rule 15c2-12(b)(5). If the Company does not perform its obligations under this Section, the Remarketing Agent may immediately cease remarketing efforts.

(b) The Issuer and the Company have prepared and delivered to the Remarketing Agent a copy of the Limited Offering Memorandum, dated June 30, 1997, including an appendix consisting of financial and other information in respect of the Company. Such Limited Offering Memorandum, including the appendix thereto and the materials incorporated by reference therein, is referred to herein as the "Limited Offering Memorandum." The Company authorizes the use by the Remarketing Agent of the Limited Offering Memorandum in connection with the remarketing of the Bonds. For purposes of this Remarketing Agreement, the Limited Offering Memorandum and any other documents provided to the Remarketing Agent pursuant to paragraph (a) of this Section shall be considered to be the "Disclosure Statement".

Section 5. Indemnification. (a) The Company agrees to indemnify and hold harmless the Remarketing Agent and its officers, directors, agents and employees (collectively, the "Indemnified Persons" and individually, an "Indemnified Person") from and against any losses, claims, damages or liabilities to which any Indemnified Person may become subject insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of, or are based upon, any untrue statement or alleged untrue statement of a material fact contained in the Disclosure Statement, or arise out of, or are based upon, the omission or alleged omission to state therein a material fact necessary to make the statements made therein, in light of the circumstances under which they were made, not misleading, and will reimburse each Indemnified Person for any legal or other expenses reasonably incurred by such Indemnified Person in investigating, defending or preparing to defend any such action or claim; provided, however, that the Company shall not be liable in any such case to the extent that any such loss, claim, damage or liability arises out of, or is based upon, any untrue statement or alleged untrue statement or omission or alleged omission made in the Disclosure Statement in reliance upon and in conformity with written information furnished to the Company for use therein by the Remarketing Agent. The indemnity agreement in this paragraph shall be in addition to any liability which the Company may otherwise have to any Indemnified Person and shall extend upon the same terms and conditions to each person, if any, who controls any Indemnified Person within the meaning of the Securities Act of 1933, as amended (the "Act"), and the Exchange Act.

(b) Promptly after receipt by an Indemnified Person under paragraph (a) of this Section of notice of the commencement of any action, such Indemnified Person shall, if a claim in respect thereof is to be made against the Company under such paragraph, notify the Company in writing of the commencement thereof; but the omission so to notify the Company shall not relieve the Company from any liability which the Company may have to any Indemnified Person otherwise than under such paragraph. In case any such action shall be brought against any Indemnified Person, and such Indemnified Person shall notify the Company of the commencement thereof, the Company shall be entitled to participate therein and, to the extent that the Company wishes, to assume the defense thereof, with counsel reasonably satisfactory to such Indemnified Person, and after notice from the Company to such Indemnified Person of its election so to assume the defense thereof, the Company shall not be liable to such Indemnified Person under such paragraph for any legal or other expenses subsequently incurred by such Indemnified Person in connection with the defense thereof other than reasonable out-of-pocket costs of any investigation; provided, however, that if the named parties to any such action (including any impleaded parties) include both the Remarketing Agent (or its officers, directors, agents or employees or any person so controlling the Remarketing Agent)

and the Company, and the Remarketing Agent (or such officers, directors, agents or employees or such person so controlling the Remarketing Agent) shall have reasonably concluded that there may be one or more legal defenses available to it which are different from or additional to those available to the Company and representation of both parties by the same counsel would be inappropriate due to a conflict of interest between them, the Remarketing Agent (or such officers, directors, agents or employees or such person so controlling the Remarketing Agent) shall have the right to select separate counsel to assume such legal defenses and to otherwise participate in the defense of such action on behalf of the Remarketing Agent (or such officers, directors, agents or employees or such person so controlling the Remarketing Agent); provided, further, however, that the Company shall not, in connection with any one such action or separate but substantially similar or related actions arising out of the same general allegations or circumstances, be liable for the fees and expenses of more than one separate firm of attorneys at any point in time for the Remarketing Agent and its officers, directors, agents and employees and all persons so controlling the Remarketing Agent. The Company shall not be liable for any settlement of any proceeding effected without its prior written consent.

(c) The indemnity agreements contained in this Section 5 shall remain operative and in full force and effect, regardless of any investigation made by or on behalf of the Remarketing Agent or the Company, or the delivery of and any payment for any Bonds hereunder, and shall survive the termination or cancellation of this Agreement.

Section 6. Fees and Expenses. In consideration of the Remarketing Agent's services under this Agreement, the Company will pay the Remarketing Agent as Remarketing Agent (a) while the Bonds bear interest at a Daily, Weekly or Commercial Paper Rate, an annual amount equal to an aggregate of one-eighth (1/8) of 1% of the aggregate principal amount of Bonds outstanding under the Indenture, payable quarterly in arrears on each April 1, July 1, October 1 and January 1, commencing on the first such day after the issuance of the Bonds and computed on the basis of the aggregate principal amount of the Bonds outstanding during each preceding quarterly (or shorter) period and (b) in connection with any remarketing due to a mandatory redemption (i) upon a change in the method of determining the interest rate on the Bonds due to a change to a Long-Term Interest Rate or (ii) at the beginning of a new Long-Term Interest Rate Period, a fee to be negotiated by the Company and the Remarketing Agent. The Company also will pay all expenses in connection with the preparation of any Disclosure Statement and the registration of the Bonds and any other documents relating to the Bonds under any securities laws or qualifying the Indenture under the Trust Indenture Act and will reimburse the Remarketing Agent for all of its direct out-of-pocket expenses incurred by it as Remarketing Agent under this Agreement and the Indenture, including counsel fees and disbursements.

Section 7. Conditions Precedent to the Obligations of the Remarketing Agent. The obligations of the Remarketing Agent to offer for sale and to use reasonable efforts to sell any Bond or Bonds hereunder shall be subject to the accuracy and completeness in all material respects of the representations and warranties of the Company contained herein as of the date hereof and as of each and every date on which the Remarketing Agent shall offer for sale or use reasonable efforts to sell any Bond or Bonds hereunder (each such date being a "Performance Date"), to the performance by the Company of its obligations hereunder and to the following conditions:

(a) At each Performance Date, the Remarketing Agreement, the Agreement and the Indenture shall be in full force and effect, and shall not have been amended, modified or supplemented since the date of original issuance of the Bonds except for any amendment, modification or supplement of which the Remarketing Agent has received written notice prior to such Performance Date.

(b) Interest on the Bonds shall not be includible in gross income of the owners thereof for purposes of federal income taxes; no registration under the Act of any security shall be required in connection with the remarketing of the Bonds in accordance with the terms hereof, and

the Indenture and the Supplemental Indenture (as defined in the Indenture) shall be exempt from qualification pursuant to the Trust Indenture Act.

(c) No event of default under the Indenture or any supplemental indenture or event which, with notice or lapse of time, or both, would constitute an event of default under either of such documents, shall have occurred and be continuing.

(d) The Bonds that have been tendered for purchase pursuant to optional tender and would otherwise be subject to remarketing shall not have been called for redemption pursuant to the Indenture unless such redemption provision provides the Company an option to purchase in lieu of redemption and the Company has provided the Remarketing Agent written notice of its election to purchase the Bonds in lieu of redemption.

(e) None of the following events shall have occurred and be continuing:

there shall have occurred any outbreak or escalation of major hostilities in which the United States is involved, any declaration of war by the United States Congress, or any other substantial national or international calamity or emergency affecting the United States, or there shall have occurred a general suspension of trading on the New York Stock Exchange or the declaration of a general banking moratorium by United States or New York State authorities with the result that, in the opinion of the Remarketing Agent, the ability of the Remarketing Agent to market the Bonds would be materially and adversely affected.

(f) Prior to each Performance Date, the Remarketing Agent shall receive such further information, certificates, opinions and documents as it shall reasonably request.

(g) There shall have been no material adverse change in the business, properties or financial condition of the Company since the date of the Disclosure Statement or the most recent amendment or supplement thereto.

Section 8. Fails The Remarketing Agent will not be liable to the Company on account of the failure of any person to whom the Remarketing Agent has sold a Bond to pay for such Bond or to deliver any document in respect of the sale.

Section 9. Remarketing Agent's Performance. The duties and obligations of the Remarketing Agent shall be determined solely by the express provisions of the Remarketing Agreement and the Indenture, and the Remarketing Agent shall not be responsible for the performance of any other duties and obligations than as are specifically set forth in the Remarketing Agreement and the Indenture, and no implied covenants or obligations shall be read into the Remarketing Agreement or the Indenture against the Remarketing Agent. The Remarketing Agent may conclusively rely upon any notice or document given or furnished to the Remarketing Agent and conforming to the requirements of this Agreement or the Indenture and shall be protected in acting upon any such notice or document reasonably believed by it to be genuine and to have been given, signed or presented by the proper party or parties.

Section 10. Termination. This Remarketing Agreement will terminate upon the effective resignation or removal of the Remarketing Agent in accordance with the Indenture. The Remarketing Agent will resign under this Remarketing Agreement if requested to do so by the Company in writing and may resign at any time. Following termination, the provisions of Section 5 will continue in effect, and each party will pay the other any amounts owing at the time of termination.

Section 11. Amendment of Indenture. The Company shall not consent to an amendment of the Indenture which affects the rights or duties of the Remarketing Agent without the Remarketing Agent's prior written consent.

Section 12. Miscellaneous. This Remarketing Agreement will be governed by the laws of the State of Florida. Notices will be given to the addresses below until a party designates a new address in writing.

Section 13. Counterparts. This Remarketing Agreement may be signed in several counterparts. Each will be an original, but all of them together constitute the same instrument.

Section 14. Severability. If any provision of this Remarketing Agreement shall be determined to be unenforceable, that shall not affect any other provision of this Remarketing Agreement.

GULF POWER COMPANY
500 Bayfront Parkway
Pensacola, Florida 32501

By: _____

Title: SECRETARY + TREASURER

SUNTRUST BANK, ATLANTA
25 Park Place
Atlanta, Georgia 30303

By: _____

Title: _____

REMARKETING AGREEMENT

REMARKETING AGREEMENT, dated as of July 1, 1997, between GULF POWER COMPANY (the "Company") and SUNTRUST BANK, ATLANTA.

WHEREAS, Jackson County, Florida (the "Issuer") proposes to issue its Pollution Control Revenue Refunding Bonds (Gulf Power Company Project), Series 1997 in the aggregate principal amount of $3,930,000 (the "Bonds"), pursuant to that certain Trust Indenture dated as of July 1, 1997 (the "Indenture") between the Issuer and First Union National Bank, as trustee (the "Trustee"); and

WHEREAS, pursuant to the promissory note issued under the Loan Agreement dated as of July 1, 1997 (the "Agreement"), between the Issuer and the Company, the Company has agreed to pay amounts at least sufficient to pay the principal of, and premium, if any, purchase price of, and interest on the Bonds; and

WHEREAS, SunTrust Bank, Atlanta (the "Remarketing Agent") has been appointed (and the Remarketing Agent hereby accepts the appointment) as Remarketing Agent pursuant to the Indenture; and

WHEREAS, the Company and the Remarketing Agent desire to make additional provisions regarding the Remarketing Agent's role for the Bonds.

NOW, THEREFORE, the Company and the Remarketing Agent hereby agree as follows:

Section 1. Definitions. All capitalized terms used in this Remarketing Agreement which are not otherwise defined herein shall have the meanings assigned to them in the Indenture.

Section 2. Confirmation of Appointment. The Company hereby confirms the appointment of the Remarketing Agent pursuant to the Indenture.

Section 3. Duties. The Remarketing Agent will perform the duties specified under the Indenture subject to the terms of the Indenture and this Remarketing Agreement. In acting as Remarketing Agent, the Remarketing Agent will act as agent and not as principal except as expressly provided in this Section.

The Remarketing Agent may, if it determines to do so in its sole discretion, buy as principal any Bonds but it will not in any event be obligated to do so, and if it buys Bonds it will have the same rights as would any other person holding the Bonds.

Section 4. Disclosure Statement. (a) If the Remarketing Agent determines that it is necessary or desirable to use a disclosure statement in connection with its offering of the Bonds, the Remarketing Agent will notify the Company and the Company will provide the Remarketing Agent with a disclosure statement satisfactory to the Remarketing Agent and its counsel in respect of the Bonds. The Company will supply the Remarketing Agent with such number of copies of the disclosure statement and documents related thereto as the Remarketing Agent requests from time to time and will amend the disclosure statement (and/or the documents incorporated by reference in it) so that at all times the disclosure statement and any documents related thereto will not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements in such documents, in the light of the circumstances under which they were made, not misleading. In addition, the Company will take all steps reasonably requested by the Remarketing Agent which the Remarketing Agent or its counsel may consider necessary or desirable to register the sale of the Bonds by the Remarketing Agent under any federal or state securities law or to qualify the Indenture under the Trust Indenture Act of 1939, as amended (the "Trust Indenture Act"), and will provide the Remarketing Agent such officers' certificates, counsel opinions, accountants'

letters and other documents as may be customary in similar transactions. The Company also agrees to furnish the Remarketing Agent a Disclosure Statement as defined in paragraph (b) of this Section at such times and in such quantities in order to enable the Remarketing Agent to comply with Rule 15c2-12 under the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Prior to the commencement of a Commercial Paper Period or a Long-Term Interest Rate Period or at such other time that Rule 15c2-12(b)(5) becomes applicable to the Bonds, the Company agrees to enter into a separate undertaking satisfactory to the Remarketing Agent with respect to the continuing disclosure requirements of Rule 15c2-12(b)(5). If the Company does not perform its obligations under this Section, the Remarketing Agent may immediately cease remarketing efforts.

(b) The Issuer and the Company have prepared and delivered to the Remarketing Agent a copy of the Limited Offering Memorandum, dated June 30, 1997, including an appendix consisting of financial and other information in respect of the Company. Such Limited Offering Memorandum, including the appendix thereto and the materials incorporated by reference therein, is referred to herein as the "Limited Offering Memorandum." The Company authorizes the use by the Remarketing Agent of the Limited Offering Memorandum in connection with the remarketing of the Bonds. For purposes of this Remarketing Agreement, the Limited Offering Memorandum and any other documents provided to the Remarketing Agent pursuant to paragraph (a) of this Section shall be considered to be the "Disclosure Statement".

Section 5. Indemnification. (a) The Company agrees to indemnify and hold harmless the Remarketing Agent and its officers, directors, agents and employees (collectively, the "Indemnified Persons" and individually, an "Indemnified Person") from and against any losses, claims, damages or liabilities to which any Indemnified Person may become subject insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of, or are based upon, any untrue statement or alleged untrue statement of a material fact contained in the Disclosure Statement, or arise out of, or are based upon, the omission or alleged omission to state therein a material fact necessary to make the statements made therein, in light of the circumstances under which they were made, not misleading, and will reimburse each Indemnified Person for any legal or other expenses reasonably incurred by such Indemnified Person in investigating, defending or preparing to defend any such action or claim; provided, however, that the Company shall not be liable in any such case to the extent that any such loss, claim, damage or liability arises out of, or is based upon, any untrue statement or alleged untrue statement or omission or alleged omission made in the Disclosure Statement in reliance upon and in conformity with written information furnished to the Company for use therein by the Remarketing Agent. The indemnity agreement in this paragraph shall be in addition to any liability which the Company may otherwise have to any Indemnified Person and shall extend upon the same terms and conditions to each person, if any, who controls any Indemnified Person within the meaning of the Securities Act of 1933, as amended (the "Act"), and the Exchange Act.

(b) Promptly after receipt by an Indemnified Person under paragraph (a) of this Section of notice of the commencement of any action, such Indemnified Person shall, if a claim in respect thereof is to be made against the Company under such paragraph, notify the Company in writing of the commencement thereof; but the omission so to notify the Company shall not relieve the Company from any liability which the Company may have to any Indemnified Person otherwise than under such paragraph. In case any such action shall be brought against any Indemnified Person, and such Indemnified Person shall notify the Company of the commencement thereof, the Company shall be entitled to participate therein and, to the extent that the Company wishes, to assume the defense thereof, with counsel reasonably satisfactory to such Indemnified Person, and after notice from the Company to such Indemnified Person of its election so to assume the defense thereof, the Company shall not be liable to such Indemnified Person under such paragraph for any legal or other expenses subsequently incurred by such Indemnified Person in connection with the defense thereof other than reasonable out-of-pocket costs of any investigation; provided, however, that if the named parties to any such action (including any impleaded parties) include both the Remarketing Agent (or its officers, directors, agents or employees or any person so controlling the Remarketing Agent)

and the Company, and the Remarketing Agent (or such officers, directors, agents or employees or such person so controlling the Remarketing Agent) shall have reasonably concluded that there may be one or more legal defenses available to it which are different from or additional to those available to the Company and representation of both parties by the same counsel would be inappropriate due to a conflict of interest between them, the Remarketing Agent (or such officers, directors, agents or employees or such person so controlling the Remarketing Agent) shall have the right to select separate counsel to assume such legal defenses and to otherwise participate in the defense of such action on behalf of the Remarketing Agent (or such officers, directors, agents or employees or such person so controlling the Remarketing Agent); provided, further, however, that the Company shall not, in connection with any one such action or separate but substantially similar or related actions arising out of the same general allegations or circumstances, be liable for the fees and expenses of more than one separate firm of attorneys at any point in time for the Remarketing Agent and its officers, directors, agents and employees and all persons so controlling the Remarketing Agent. The Company shall not be liable for any settlement of any proceeding effected without its prior written consent.

(c) The indemnity agreements contained in this Section 5 shall remain operative and in full force and effect, regardless of any investigation made by or on behalf of the Remarketing Agent or the Company, or the delivery of and any payment for any Bonds hereunder, and shall survive the termination or cancellation of this Agreement.

Section 6. Fees and Expenses. In consideration of the Remarketing Agent's services under this Agreement, the Company will pay the Remarketing Agent as Remarketing Agent, (a) while the Bonds bear interest at a Daily, Weekly or Commercial Paper Rate, an annual amount equal to an aggregate of one-eighth (1/8) of 1% of the aggregate principal amount of Bonds outstanding under the Indenture, payable quarterly in arrears on each April 1, July 1, October 1 and January 1, commencing on the first such day after the issuance of the Bonds and computed on the basis of the aggregate principal amount of the Bonds outstanding during each preceding quarterly (or shorter) period and (b) in connection with any remarketing due to a mandatory redemption (i) upon a change in the method of determining the interest rate on the Bonds due to a change to a Long-Term Interest Rate or (ii) at the beginning of a new Long-Term Interest Rate Period, a fee to be negotiated by the Company and the Remarketing Agent. The Company also will pay all expenses in connection with the preparation of any Disclosure Statement and the registration of the Bonds and any other documents relating to the Bonds under any securities laws or qualifying the Indenture under the Trust Indenture Act and will reimburse the Remarketing Agent for all of its direct out-of-pocket expenses incurred by it as Remarketing Agent under this Agreement and the Indenture, including counsel fees and disbursements.

Section 7. Conditions Precedent to the Obligations of the Remarketing Agent. The obligations of the Remarketing Agent to offer for sale and to use reasonable efforts to sell any Bond or Bonds hereunder shall be subject to the accuracy and completeness in all material respects of the representations and warranties of the Company contained herein as of the date hereof and as of each and every date on which the Remarketing Agent shall offer for sale or use reasonable efforts to sell any Bond or Bonds hereunder (each such date being a "Performance Date"), to the performance by the Company of its obligations hereunder and to the following conditions:

(a) At each Performance Date, the Remarketing Agreement, the Agreement and the Indenture shall be in full force and effect, and shall not have been amended, modified or supplemented since the date of original issuance of the Bonds except for any amendment, modification or supplement of which the Remarketing Agent has received written notice prior to such Performance Date.

(b) Interest on the Bonds shall not be includible in gross income of the owners thereof for purposes of federal income taxes; no registration under the Act of any security shall be required in connection with the remarketing of the Bonds in accordance with the terms hereof; and

the Indenture and the Supplemental Indenture (as defined in the Indenture) shall be exempt from qualification pursuant to the Trust Indenture Act.

(c) No event of default under the Indenture or any supplemental indenture or event which, with notice or lapse of time, or both, would constitute an event of default under either of such documents, shall have occurred and be continuing.

(d) The Bonds that have been tendered for purchase pursuant to optional tender and would otherwise be subject to remarketing shall not have been called for redemption pursuant to the Indenture unless such redemption provision provides the Company an option to purchase in lieu of redemption and the Company has provided the Remarketing Agent written notice of its election to purchase the Bonds in lieu of redemption.

(e) None of the following events shall have occurred and be continuing:

there shall have occurred any outbreak or escalation of major hostilities in which the United States is involved, any declaration of war by the United States Congress, or any other substantial national or international calamity or emergency affecting the United States, or there shall have occurred a general suspension of trading on the New York Stock Exchange or the declaration of a general banking moratorium by United States or New York State authorities with the result that, in the opinion of the Remarketing Agent, the ability of the Remarketing Agent to market the Bonds would be materially and adversely affected.

(f) Prior to each Performance Date, the Remarketing Agent shall receive such further information, certificates, opinions and documents as it shall reasonably request.

(g) There shall have been no material adverse change in the business, properties or financial condition of the Company since the date of the Disclosure Statement or the most recent amendment or supplement thereto.

Section 8. Fails. The Remarketing Agent will not be liable to the Company on account of the failure of any person to whom the Remarketing Agent has sold a Bond to pay for such Bond or to deliver any document in respect of the sale.

Section 9. Remarketing Agent's Performance. The duties and obligations of the Remarketing Agent shall be determined solely by the express provisions of the Remarketing Agreement and the Indenture, and the Remarketing Agent shall not be responsible for the performance of any other duties and obligations than as are specifically set forth in the Remarketing Agreement and the Indenture, and no implied covenants or obligations shall be read into the Remarketing Agreement or the Indenture against the Remarketing Agent. The Remarketing Agent may conclusively rely upon any notice or document given or furnished to the Remarketing Agent and conforming to the requirements of this Agreement or the Indenture and shall be protected in acting upon any such notice or document reasonably believed by it to be genuine and to have been given, signed or presented by the proper party or parties

Section 10. Termination. This Remarketing Agreement will terminate upon the effective resignation or removal of the Remarketing Agent in accordance with the Indenture. The Remarketing Agent will resign under this Remarketing Agreement if requested to do so by the Company in writing and may resign at any time. Following termination, the provisions of Section 5 will continue in effect, and each party will pay the other any amounts owing at the time of termination.

Section 11. Amendment of Indenture. The Company shall not consent to an amendment of the Indenture which affects the rights or duties of the Remarketing Agent without the Remarketing Agent's prior written consent.

Section 12. Miscellaneous. This Remarketing Agreement will be governed by the laws of the State of Florida. Notices will be given to the addresses below until a party designates a new address in writing.

Section 13. Counterparts. This Remarketing Agreement may be signed in several counterparts. Each will be an original, but all of them together constitute the same instrument.

Section 14. Severability. If any provision of this Remarketing Agreement shall be determined to be unenforceable, that shall not affect any other provision of this Remarketing Agreement.

GULF POWER COMPANY
500 Bayfront Parkway
Pensacola, Florida 32501

By: _____

Title: SECRETARY + TREASURER

SUNTRUST BANK, ATLANTA
25 Park Place
Atlanta, Georgia 30303

By: _____

Title: _____

EXHIBIT C.13.

GULF POWER COMPANY

Letter of Representation

June 30, 1997

BOARD OF COUNTY COMMISSIONERS
Escambia County, Florida

SUNTRUST BANK, ATLANTA
Atlanta, Georgia

Ladies and Gentlemen:

Gulf Power Company (the "Company") delivers this Letter of Representation in order to induce SunTrust Bank, Atlanta, as placement agent (the "Placement Agent"), and Escambia County, Florida (the "County") to enter into a Placement Agreement, to be dated the date hereof (the "Placement Agreement"), with the County relating to the placement by the Placement Agent from the County of $37,000,000 aggregate principal amount of its Pollution Control Revenue Refunding Bonds (Gulf Power Company Project), Series 1997 (the "Bonds"). The Bonds will be issued under and secured by a Trust Indenture, dated as of July 1, 1997 (the "Indenture"), between the County and First Union National Bank of Florida, as trustee (the "Trustee"). The proceeds of the Bonds are to be used, pursuant to the terms of a Loan Agreement, dated as of July 1, 1997 (the "Agreement"), between the County and the Company, to provide funds to refund certain of the County's bonds heretofore issued to finance or refinance the acquisition, construction, installation and equipping of the Company's interest in certain air or water pollution control and solid waste disposal facilities, or portions thereof, at Plant Crist, in Escambia County, Florida and Plant Lansing Smith in Bay County, Florida. The Company's payment obligations with respect to the Bonds under the Agreement will be evidenced by a non-negotiable promissory note equal in principal amount to the Bonds and bearing interest at the rate or rates borne by the Bonds (the "Note"). The Placement Agent will be appointed as the remarketing agent for the Bonds pursuant to a Remarketing Agreement (the "Remarketing Agreement") with the Company. As used in this Letter of Representation the term "Limited Offering Memorandum" means the Limited Offering Memorandum of the County, dated June 30, 1997, relating to the Bonds and certain other obligations described therein, including the Appendix thereto and the documents incorporated therein by reference.

1. In consideration of the execution and delivery of the Placement Agreement, the Company represents, warrants and covenants to and with the Placement Agent and the County that:

(a) The Limited Offering Memorandum does not, and at the Closing Date (as defined in the Placement Agreement) the Limited Offering Memorandum, as it may be amended or supplemented, will not, include any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; provided, however, that none of the representations and warranties in this Letter of Representation shall apply to statements in or omissions from the Limited Offering Memorandum under the captions

"The Counties", "Tax Exemption" or "Placement" or in the statements on the cover page with respect to the initial public offering price, tax exemption and terms of offering

(b) The financial statements contained or incorporated by reference in the Limited Offering Memorandum present fairly the financial position of the Company as of the dates indicated and the results of its operations for the periods specified; and, except as otherwise stated in the Limited Offering Memorandum, said financial statements have been prepared in conformity with generally accepted accounting principles applied on a consistent basis during the periods involved.

(c) There has not been any material adverse change in the business, properties, or financial condition of the Company as a whole from that set forth in or contemplated by the Limited Offering Memorandum.

(d) The Company has not entered into any material transaction or incurred any material liability otherwise than in the ordinary course of business or as set forth in or contemplated by the Limited Offering Memorandum

(e) This Letter of Representation has been, and the Agreement, the Remarketing Agreement and the Note, when executed and delivered by the Company, will be, duly authorized, executed and delivered by the Company, and assuming due authorization, execution and delivery thereof by the other parties thereto, will be legal, valid and binding obligations of the Company and will be enforceable in accordance with their respective terms except as limited by any principles of public policy limiting the right to enforce the indemnification provisions of this Letter of Representation and the Remarketing Agreement.

(f) All necessary authorizations, approvals, consents or other orders of any governmental authority or agency for the execution and delivery by the Company of the Agreement and the Remarketing Agreement and for the issuance by the Company of the Note have been obtained and are in full force and effect.

(g) The execution of this Letter of Representation, the Agreement and the Remarketing Agreement, the issuance and delivery of the Note, the consummation of the transactions herein and therein contemplated and the fulfillment of the terms hereof and thereof, did not or will not result in a breach of any of the terms and provisions of, or constitute a default under, any indenture, mortgage, deed of trust or other agreement or instrument to which the Company is a party, or of the Company's charter or by-laws or, to the knowledge of the Company, any order, rule or regulation applicable to the Company of any court or of any Federal or State regulatory body or administrative agency or other governmental body having jurisdiction over the Company or over any of its activities or its properties.

(h) The Company is a corporation duly organized and existing under the laws of the State of Maine, is duly qualified to carry on its business as a foreign corporation in the States of Florida, Georgia and Mississippi and has due corporate authority to carry on the public utility business in which it is engaged and to own and operate the properties used by it in such business

(i) To the best of the Company's knowledge, the Securities and Exchange Commission has not issued, and is not threatening to issue, any order preventing or suspending the use of the Preliminary Limited Offering Memorandum, dated June 24, 1997, relating to the Bonds and certain other obligations described therein (the "Preliminary Limited Offering Memorandum") or the Limited Offering Memorandum

(j) Except as disclosed in or contemplated by the Limited Offering Memorandum, there is no action, suit, proceeding, inquiry or investigation, at law or in equity, or before or by any court, public board or body known to the Company to be pending or threatened against or directly affecting the Company, nor to the best of the knowledge of the Company is there any basis therefor, wherein an unfavorable decision, ruling or finding (i) would have a material adverse effect on the transactions contemplated by the Placement Agreement or the Limited Offering Memorandum (excluding transactions contemplated solely by the Appendix thereto and the documents incorporated in the Appendix by reference), or (ii) would adversely affect the validity or enforceability of the Bonds, the Indenture, the Agreement, the Note, the Remarketing Agreement, the Placement Agreement, or this Letter of Representation, or any agreement or instrument to which the Company is a party, used or contemplated for use in connection with the consummation by the Company of the transactions contemplated by the Placement Agreement or by the Limited Offering Memorandum (excluding transactions contemplated solely by the Appendix thereto and the documents incorporated in the Appendix by reference).

(k) The Company will not take or omit to take any action the taking or omission of which would cause the proceeds from the sale of the Bonds to be applied in a manner contrary to that provided for in the Indenture and the Agreement, as amended from time to time.

(l) The Company will cooperate with the Placement Agent and its counsel in any endeavor to qualify the Bonds for offering and sale under the securities or "blue sky" laws of such jurisdictions of the United States as the Placement Agent may request, provided, however, that the Company shall not be required with respect to the offering or sale of the Bonds to file written consent to suit or to file written consent to service of process in any jurisdiction in which the Bonds may be offered or sold.

(m) The Company acknowledges the terms of the Placement Agreement as they relate to it and the Company will pay the fees, costs and expenses to be paid by it pursuant to Section 8 of the Placement Agreement (subject to the terms and conditions set forth therein).

(n) If at any time within 90 days from the Closing Date, when in the judgment of the Placement Agent delivery of the Limited Offering Memorandum in connection with an offering or sale of any of the Bonds is necessary or desirable, any event shall have occurred as a result of which, in the opinion of Dewey Ballantine, counsel for the Placement Agent, the Appendix to the Limited Offering Memorandum (including any documents incorporated therein by reference) includes an untrue statement of a material fact or omits to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, the Company will promptly notify you and prepare and supply you with sufficient copies of an appropriate amendment or supplement to said Appendix, or make an appropriate filing under the provisions of Section 13 or 14 of the Securities Exchange Act of 1934, as amended, to permit the use of the Appendix in connection with the offer or the sale of any of the Bonds from the unsold underwriting allotment (including for this purpose, Bonds held for group account) of the Placement Agent.

2. The acceptance and confirmation of this Letter of Representation by the County shall constitute a representation and warranty by the County to the Company that the representations and warranties contained in Section 4 of the Placement Agreement are true as of the date hereof and will be true in all material respects as of the Closing Date

3. (a) The Company agrees to defend, indemnify and hold harmless the County, any official or employee of the County, the Placement Agent, and each person, if any, who controls the Placement Agent within the meaning of Section 15 of the Securities Act of 1933, as amended (the "Securities Act"), against any and all losses, claims, damages, liabilities and expenses whatsoever arising out of any untrue statement or alleged untrue statement of a material fact contained in the Preliminary Limited Offering Memorandum (as defined in the Placement Agreement) or the Limited Offering Memorandum, or in any amendment or supplement thereto, or arising out of any omission or alleged omission to state therein a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading in any material respect, except (in the case of the Placement Agent or any person so controlling the Placement Agent) insofar as such losses, claims, damages, liabilities or expenses arise out of any such untrue statement or omission or alleged untrue statement or omission made in any such documents in reliance upon and in conformity with written information furnished to the Company by the Placement Agent specifically for use therein; provided, however, that the indemnity agreement contained in this Section 3(a) shall not inure to the benefit of the Placement Agent (or of any person so controlling the Placement Agent) to the extent of any losses, claims, damages, liabilities or expenses arising from the sale of the Bonds to any person if a copy of the Limited Offering Memorandum (exclusive of the documents incorporated in the Appendix by reference), as amended or supplemented at the time of such sale, shall not have been given or sent to such person by or on behalf of the Placement Agent with or prior to the written confirmation of the sale involved.

(b) The Placement Agent agrees to defend, indemnify and hold harmless the Company, its directors and officers and each person, if any, who controls the Company within the meaning of Section 15 of the Securities Act, the County and any official or employee of the County, against any and all losses, claims, damages, liabilities and expenses whatsoever arising out of any untrue statement or alleged untrue statement of a material fact contained in the Limited Offering Memorandum, or in any amendment or supplement thereto, or any omission or alleged omission to state therein any material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading, but only to the extent that such untrue statement or alleged untrue statement or omission or alleged omission was made in any such document in reliance upon and in conformity with written information furnished to the Company by the Placement Agent specifically for use therein.

(c) The Company agrees with respect to any action against it, any of its directors or officers or any person controlling it as aforesaid, the Placement Agent agrees with respect to any action against it or any person controlling it as aforesaid, and the County agrees with respect to any action against it, or any of its officers or employees, in respect of which indemnity may be sought hereunder, that it will promptly give written notice of the commencement of such action to the party or parties against whom indemnity may be sought; but the omission so to notify any indemnifying party will not relieve such indemnifying party from any liability which it may have to the indemnified party which failed to give such notice otherwise than under this Section 3 nor affect any rights such indemnifying party may have otherwise than under this Section 3 to participate in or assume the defense of any action brought against such indemnified party. Upon receipt of any such notice by an indemnifying party, such indemnifying party shall be entitled to assume the defense of such action, including the employment of counsel and the payment of all expenses in connection with such defense, and will have the right to negotiate and consent to settlement. Any indemnified party shall have the right to employ separate counsel in any such action against it and to participate in the defense thereof, but the fees and expenses of such counsel shall be at the expense of such indemnified party unless the employment of such counsel shall have been specifically authorized in writing by the indemnifying party or the indemnifying party shall have elected not to assume the defense of such action. No indemnifying party shall be liable for any settlement of any such action effected without its consent; but if any such action is settled with the consent of an indemnifying party or if there be a final judgment for the plaintiff in any such action (of which an indemnifying party shall

have been notified as aforesaid), such indemnifying party shall indemnify and hold harmless each indemnified party from and against any losses, claims, damages, liabilities or expenses incurred or suffered by reason of such settlement or judgment. Nothing herein shall adversely affect the rights of the County under the Agreement.

4. The Company will deliver or cause to be delivered all opinions, certificates and other documents as provided for in the Placement Agreement to be delivered by it.

5. The representations and warranties of the Company and the County contained herein, or in the certificates of officers of the Company or officials of the County submitted to the Placement Agent pursuant to the Placement Agreement, and the agreements of the Company and the Placement Agent contained in Section 3 hereof shall remain operative and in full force and effect regardless of any investigation made by or on behalf of the County or any of its officials or employees, any Placement Agent or controlling person thereof, or the Company or any of its directors or officers or controlling persons, and shall survive the delivery of the Bonds to the Placement Agent. The Company's agreement contained in Section 1(m) hereof to pay expenses and the agreements contained in Section 3 hereof shall survive the termination of the Placement Agreement and this Letter of Representation.

6. This Letter of Representation is made solely for the benefit of the County, the Placement Agent and the Company, and, to the extent expressly provided herein, any person referred to in Section 3 hereof, and their respective successors and assigns, and no other person, partnership, association or corporation shall acquire or have any right under or by virtue hereof. The terms "successors" and "assigns" shall not include any purchaser of Bonds from the Placement Agent merely because of such purchase.

7. The execution and delivery of this Letter of Representation by the Company shall constitute the Company's approval of and consent to the County's entering into, acceptance and execution of the Placement Agreement and performance thereunder.

8. This Letter of Representation shall be governed by and construed in accordance with the laws of the State of Florida.

9. Any notice or other communication to be given to the Company under this Letter of Representation may be given by delivering the same in writing to the Treasurer of the Company at its address set forth below. Any notice or other communication to be given to the County may be given by delivering the same in writing to its address set forth in the Placement Agreement. Any notice or other communication to be given to the Placement Agent may be given by delivering the same in writing at the address set forth in the Placement Agreement. The Company, the County and the Placement Agent shall each be fully entitled to rely upon notice given pursuant to this Section and to act thereon.

10. This Letter of Representation shall become effective upon execution thereof and the effectiveness of the Placement Agreement referred to herein. It shall terminate upon termination of the Placement Agreement.

11. This Letter of Representation may be executed in counterparts, each of which shall be deemed to be an original and all of which, taken together, shall constitute one and the same instrument.

Very truly yours,

GULF POWER COMPANY
500 Bayfront Parkway
Pensacola, Florida 32520

By: _____

Accepted and confirmed as of the
date first above written

SUNTRUST BANK, ATLANTA

By: _____
Title: _____

BOARD OF COUNTY COMMISSIONERS
OF ESCAMBIA COUNTY, FLORIDA

By: _____
Title: THOMAS G. BARTANEN, CHAIRMAN

ATTEST: ERNIE LEE MAGAHA
CLERK OF THE CIRCUIT COURT
By: _____
Deputy Clerk

11. This Letter of Representation may be executed in counterparts, each of which shall be deemed to be an original and all of which, taken together, shall constitute one and the same instrument.

Very truly yours,

GULF POWER COMPANY
500 Bayfront Parkway
Pensacola, Florida 32520

By:_____

Accepted and confirmed as of the date first above written

SUNTRUST BANK, ATLANTA

By: _____
Title: VICE PRESIDENT

BOARD OF COUNTY COMMISSIONERS
OF ESCAMBIA COUNTY, FLORIDA

By:_____
Title:_____

EXHIBIT C.14.

GULF POWER COMPANY

Letter of Representation

June 30, 1997

BOARD OF COUNTY COMMISSIONERS
Jackson County, Florida

SUNTRUST BANK, ATLANTA
Atlanta, Georgia

Ladies and Gentlemen:

Gulf Power Company (the "Company") delivers this Letter of Representation in order to induce SunTrust Bank, Atlanta, as placement agent (the "Placement Agent"), and Jackson County, Florida (the "County") to enter into a Placement Agreement, to be dated the date hereof (the "Placement Agreement"), with the County relating to the placement by the Placement Agent from the County of $3,930,000 aggregate principal amount of its Pollution Control Revenue Refunding Bonds (Gulf Power Company Project), Series 1997 (the "Bonds"). The Bonds will be issued under and secured by a Trust Indenture, dated as of July 1, 1997 (the "Indenture"), between the County and First Union National Bank of Florida, as trustee (the "Trustee"). The proceeds of the Bonds are to be used, pursuant to the terms of a Loan Agreement, dated as of July 1, 1997 (the "Agreement"), between the County and the Company, to provide funds to refund certain of the County's bonds heretofore issued to finance or refinance the acquisition, construction, installation and equipping of the Company's interest in certain air or water pollution control facilities, or portions thereof, at Plant Scholz, in Sneads, Florida (the "Project"). The Company's payment obligations with respect to the Bonds under the Agreement will be evidenced by a non-negotiable promissory note equal in principal amount to the Bonds and bearing interest at the rate or rates borne by the Bonds (the "Note"). The Placement Agent will be appointed as the remarketing agent for the Bonds pursuant to a Remarketing Agreement (the "Remarketing Agreement") with the Company. As used in this Letter of Representation the term "Limited Offering Memorandum" means the Limited Offering Memorandum of the County, dated June 30, 1997, relating to the Bonds and certain other obligations described therein, including the Appendix thereto and the documents incorporated therein by reference.

1. In consideration of the execution and delivery of the Placement Agreement, the Company represents, warrants and covenants to and with the Placement Agent and the County that:

(a) The Limited Offering Memorandum does not, and at the Closing Date (as defined in the Placement Agreement) the Limited Offering Memorandum, as it may be amended or supplemented, will not, include any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, provided, however, that none of the representations and warranties in this Letter of Representation shall apply to statements in or omissions from the Limited Offering Memorandum under the captions "The Counties", "Tax Exemption" or "Placement" or in the statements on the cover page with respect to the initial public offering price, tax exemption and terms of offering

(b) The financial statements contained or incorporated by reference in the Limited Offering Memorandum present fairly the financial position of the Company as of the dates indicated and the results of its operations for the periods specified; and, except as otherwise stated in the Limited Offering Memorandum, said financial statements have been prepared in conformity with generally accepted accounting principles applied on a consistent basis during the periods involved.

(c) There has not been any material adverse change in the business, properties, or financial condition of the Company as a whole from that set forth in or contemplated by the Limited Offering Memorandum.

(d) The Company has not entered into any material transaction or incurred any material liability otherwise than in the ordinary course of business or as set forth in or contemplated by the Limited Offering Memorandum.

(e) This Letter of Representation has been, and the Agreement, the Remarketing Agreement and the Note, when executed and delivered by the Company, will be, duly authorized, executed and delivered by the Company, and assuming due authorization, execution and delivery thereof by the other parties thereto, will be legal, valid and binding obligations of the Company and will be enforceable in accordance with their respective terms except as limited by any principles of public policy limiting the right to enforce the indemnification provisions of this Letter of Representation and the Remarketing Agreement.

(f) All necessary authorizations, approvals, consents or other orders of any governmental authority or agency for the execution and delivery by the Company of the Agreement and the Remarketing Agreement and for the issuance by the Company of the Note have been obtained and are in full force and effect.

(g) The execution of this Letter of Representation, the Agreement and the Remarketing Agreement, the issuance and delivery of the Note, the consummation of the transactions herein and therein contemplated and the fulfillment of the terms hereof and thereof, did not or will not result in a breach of any of the terms and provisions of, or constitute a default under, any indenture, mortgage, deed of trust or other agreement or instrument to which the Company is a party, or of the Company's charter or by-laws or, to the knowledge of the Company, any order, rule or regulation applicable to the Company of any court or of any Federal or State regulatory body or administrative agency or other governmental body having jurisdiction over the Company or over any of its activities or its properties.

(h) The Company is a corporation duly organized and existing under the laws of the State of Maine, is duly qualified to carry on its business as a foreign corporation in the States of Florida, Georgia and Mississippi and has due corporate authority to carry on the public utility business in which it is engaged and to own and operate the properties used by it in such business.

(i) To the best of the Company's knowledge, the Securities and Exchange Commission has not issued, and is not threatening to issue, any order preventing or suspending the use of the Preliminary Limited Offering Memorandum, dated June 24, 1997, relating to the Bonds and certain other obligations described therein (the "Preliminary Limited Offering Memorandum") or the Limited Offering Memorandum

(j) Except as disclosed in or contemplated by the Limited Offering Memorandum, there is no action, suit, proceeding, inquiry or investigation, at law or in equity, or before or by any court, public board or body known to the Company to be

pending or threatened against or directly affecting the Company, nor to the best of the knowledge of the Company is there any basis therefor, wherein an unfavorable decision, ruling or finding (i) would have a material adverse effect on the transactions contemplated by the Placement Agreement or the Limited Offering Memorandum (excluding transactions contemplated solely by the Appendix thereto and the documents incorporated in the Appendix by reference), or (ii) would adversely affect the validity or enforceability of the Bonds, the Indenture, the Agreement, the Note, the Remarketing Agreement, the Placement Agreement, or this Letter of Representation, or any agreement or instrument to which the Company is a party, used or contemplated for use in connection with the consummation by the Company of the transactions contemplated by the Placement Agreement or by the Limited Offering Memorandum (excluding transactions contemplated solely by the Appendix thereto and the documents incorporated in the Appendix by reference).

(k) The Company will not take or omit to take any action the taking or omission of which would cause the proceeds from the sale of the Bonds to be applied in a manner contrary to that provided for in the Indenture and the Agreement, as amended from time to time.

(l) The Company will cooperate with the Placement Agent and its counsel in any endeavor to qualify the Bonds for offering and sale under the securities or "blue sky" laws of such jurisdictions of the United States as the Placement Agent may request, provided, however, that the Company shall not be required with respect to the offering or sale of the Bonds to file written consent to suit or to file written consent to service of process in any jurisdiction in which the Bonds may be offered or sold.

(m) The Company acknowledges the terms of the Placement Agreement as they relate to it and the Company will pay the fees costs and expenses to be paid by it pursuant to Section 8 of the Placement Agreement (subject to the terms and conditions set forth therein).

(n) If at any time within 90 days from the Closing Date, when in the judgment of the Placement Agent delivery of the Limited Offering Memorandum in connection with an offering or sale of any of the Bonds is necessary or desirable, any event shall have occurred as a result of which, in the opinion of Dewey Ballantine counsel for the Placement Agent, the Appendix to the Limited Offering Memorandum (including any documents incorporated therein by reference) includes an untrue statement of a material fact or omits to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, the Company will promptly notify you and prepare and supply you with sufficient copies of an appropriate amendment or supplement to said Appendix, or make an appropriate filing under the provisions of Section 13 or 14 of the Securities Exchange Act of 1934, as amended, to permit the use of the Appendix in connection with the offer or the sale of any of the Bonds from the unsold underwriting allotment (including for this purpose, Bonds held for group account) of the Placement Agent.

2. The acceptance and confirmation of this Letter of Representation by the County shall constitute a representation and warranty by the County to the Company that the representations and warranties contained in Section 4 of the Placement Agreement are true as of the date hereof and will be true in all material respects as of the Closing Date.

3. (a) The Company agrees to indemnify and hold harmless the County, any official or employee of the County, the Placement Agent, and each person, if any, who controls the Placement Agent within the meaning of Section 15 of the Securities Act of 1933, as amended (the "Securities Act"), against any and all losses, claims, damages, liabilities and

expenses whatsoever arising out of any untrue statement or alleged untrue statement of a material fact contained in the Preliminary Limited Offering Memorandum (as defined in the Placement Agreement) or the Limited Offering Memorandum, or in any amendment or supplement thereto, or arising out of any omission or alleged omission to state therein a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading in any material respect, except insofar as such losses, claims, damages, liabilities or expenses arise out of any such untrue statement or omission or alleged untrue statement or omission made in any such documents in reliance upon and in conformity with written information furnished to the Company by the Placement Agent specifically for use therein; provided, however, that the indemnity agreement contained in this Section 3(a) shall not inure to the benefit of the Placement Agent (or of any person so controlling the Placement Agent) to the extent of any losses, claims, damages, liabilities or expenses arising from the sale of the Bonds to any person if a copy of the Limited Offering Memorandum (exclusive of the documents incorporated in the Appendix by reference), as amended or supplemented at the time of such sale, shall not have been given or sent to such person by or on behalf of the Placement Agent with or prior to the written confirmation of the sale involved.

(b) The Placement Agent agrees to indemnify and hold harmless the Company, its directors and officers and each person, if any, who controls the Company within the meaning of Section 15 of the Securities Act, the County and any official or employee of the County, against any and all losses, claims, damages, liabilities and expenses whatsoever arising out of any untrue statement or alleged untrue statement of a material fact contained in the Limited Offering Memorandum, or in any amendment or supplement thereto, or any omission or alleged omission to state therein any material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading, but only to the extent that such untrue statement or alleged untrue statement or omission or alleged omission was made in any such document in reliance upon and in conformity with written information furnished to the Company by the Placement Agent specifically for use therein.

(c) The Company agrees with respect to any action against it, any of its directors or officers or any person controlling it as aforesaid, the Placement Agent agrees with respect to any action against it or any person controlling it as aforesaid, and the County agrees with respect to any action against it, or any of its officers or employees, in respect of which indemnity may be sought hereunder, that it will promptly give written notice of the commencement of such action to the party or parties against whom indemnity may be sought, but the omission so to notify any indemnifying party will not relieve such indemnifying party from any liability which it may have to the indemnified party which failed to give such notice otherwise than under this Section 3 nor affect any rights such indemnifying party may have otherwise than under this Section 3 to participate in or assume the defense of any action brought against such indemnified party. Upon receipt of any such notice by an indemnifying party, such indemnifying party shall be entitled to assume the defense of such action, including the employment of counsel and the payment of all expenses in connection with such defense, and will have the right to negotiate and consent to settlement. Any indemnified party shall have the right to employ separate counsel in any such action against it and to participate in the defense thereof, but the fees and expenses of such counsel shall be at the expense of such indemnified party unless the employment of such counsel shall have been specifically authorized in writing by the indemnifying party or the indemnifying party shall have elected not to assume the defense of such action. No indemnifying party shall be liable for any settlement of any such action effected without its consent; but if any such action is settled with the consent of an indemnifying party or if there be a final judgment for the plaintiff in any such action (of which an indemnifying party shall have been notified as aforesaid), such indemnifying party shall indemnify and hold harmless each indemnified party from and against any losses, claims, damages, liabilities or expenses incurred or suffered by reason of such settlement or judgment.

4. The Company will deliver or cause to be delivered all opinions, certificates and other documents as provided for in the Placement Agreement to be delivered by it.

5. The representations and warranties of the Company and the County contained herein, or in the certificates of officers of the Company or officials of the County submitted to the Placement Agent pursuant to the Placement Agreement, and the agreements of the Company and the Placement Agent contained in Section 3 hereof shall remain operative and in full force and effect regardless of any investigation made by or on behalf of the County or any of its officials or employees, any Placement Agent or controlling person thereof, or the Company or any of its directors or officers or controlling persons, and shall survive the delivery of the Bonds to the Placement Agent. The Company's agreement contained in Section 1(m) hereof to pay expenses shall survive the termination of the Placement Agreement and this Letter of Representation.

6. This Letter of Representation is made solely for the benefit of the County, the Placement Agent and the Company, and, to the extent expressly provided herein, any person referred to in Section 3 hereof, and their respective successors and assigns, and no other person, partnership, association or corporation shall acquire or have any right under or by virtue hereof. The terms "successors" and "assigns" shall not include any purchaser of Bonds from the Placement Agent merely because of such purchase.

7. The execution and delivery of this Letter of Representation by the Company shall constitute the Company's approval of and consent to the County's entering into, acceptance and execution of the Placement Agreement and performance thereunder.

8. This Letter of Representation shall be governed by and construed in accordance with the laws of the State of Florida.

9. Any notice or other communication to be given to the Company under this Letter of Representation may be given by delivering the same in writing to the Treasurer of the Company at its address set forth below. Any notice or other communication to be given to the County may be given by delivering the same in writing to its address set forth in the Placement Agreement. Any notice or other communication to be given to the Placement Agent may be given by delivering the same in writing at the address set forth in the Placement Agreement. The Company, the County and the Placement Agent shall each be fully entitled to rely upon notice given pursuant to this Section and to act thereon.

10. This Letter of Representation shall become effective upon execution thereof and the effectiveness of the Placement Agreement referred to herein. It shall terminate upon termination of the Placement Agreement.

11. This Letter of Representation may be executed in counterparts, each of which shall be deemed to be an original and all of which, taken together, shall constitute one and the same instrument.

Very truly yours,

GULF POWER COMPANY
500 Bayfront Parkway
Pensacola, Florida 32520

By: _____

Accepted and confirmed as of the
date first above written

SUNTRUST BANK, ATLANTA

By: _____
Title _____

BOARD OF COUNTY COMMISSIONERS
OF JACKSON COUNTY, FLORIDA

By _____
Title Chairman

11. This Letter of Representation may be executed in counterparts, each of which shall be deemed to be an original and all of which, taken together, shall constitute one and the same instrument.

Very truly yours,

GULF POWER COMPANY
500 Bayfront Parkway
Pensacola, Florida 32520

By:_____

Accepted and confirmed as of the date first above written

SUNTRUST BANK, ATLANTA

By:_____
Title: VICE PRESIDENT

BOARD OF COUNTY COMMISSIONERS
OF JACKSON COUNTY, FLORIDA

By:_____
Title:_____

NEW ISSUE -- BOOK-ENTRY ONLY

EXHIBIT C.15.

In the opinion of Balch & Bingham LLP, Bond Counsel, assuming the accuracy of certain representations and certifications and compliance with certain tax covenants, interest on each issue of Bonds is not includable in gross income for federal income tax purposes under existing statutes, rulings and court decisions, and under applicable regulations and proposed regulations, except for interest on any such Bond for any period during which such Bond is held by a person who is a "substantial user" of a Project or a "related person" as defined in the Internal Revenue Code of 1986, as amended. In the opinion of Bond Counsel, interest on each issue of Bonds will not be treated as a specific preference item for purposes of computing the federal alternative minimum tax imposed on individuals or corporations, but such interest will be includable in adjusted current earnings in computing the federal alternative minimum tax imposed on certain corporations. See "TAX EXEMPTION" herein. In the opinion of Bond Counsel, interest on each issue of Bonds is exempt from all present Florida taxation, except estate taxes and taxes imposed by Chapter 220, Florida Statutes, on interest, income or profits on debt obligations owned by corporations.

$40,930,000

$37,000,000
Escambia County, Florida
Pollution Control Revenue Refunding Bonds
(Gulf Power Company Project),
Series 1997

$3,930,000
Jackson County, Florida
Pollution Control Revenue Refunding Bonds
(Gulf Power Company Project),
Series 1997

The Bonds of each County are separate issues, except as described under "TAX EXEMPTION" herein, but contain substantially the same terms and provisions.

EACH ISSUE OF THE BONDS IS BEING ISSUED UNDER A TRUST INDENTURE FOR REFUNDING PURPOSES AND IS THE LIMITED SPECIAL OBLIGATION OF THE ISSUING COUNTY AND IS PAYABLE SOLELY, EXCEPT TO THE EXTENT PAID OUT OF BOND PROCEEDS, FROM THE LOAN REPAYMENTS UNDER A NOTE ISSUED PURSUANT TO A LOAN AGREEMENT WITH

Gulf Power Company

a subsidiary of The Southern Company

Dated: Date of original issuance and delivery

Due: July 1, 2022

Initially, the Bonds of each issue will bear interest from the date of their original issuance and delivery at a Daily Rate determined by the Remarketing Agent as described under "THE BONDS—Interest on the Bonds" herein, payable on the fifth Business Day of each month commencing August 7, 1997. Subject to satisfaction of certain conditions in the respective Trust Indentures pursuant to which the Bonds are issued, the Company may from time to time change the method of determining the interest rate on the Bonds of each issue to a Daily, Weekly, Commercial Paper or Long-Term Interest Rate, as more fully described under "THE BONDS—Change in Interest Rate Determination Method" herein.

The Bonds of each issue are subject to optional, extraordinary optional and mandatory redemption and to purchase in lieu of redemption prior to maturity as described under "THE BONDS--Redemption" herein. When a Daily or Weekly Rate is in effect for the Bonds of any issue, holders of the Bonds of such issue will have the option to tender their Bonds for purchase as described under "THE BONDS—Optional Tender" herein.

Each issue of Bonds will be issuable as fully registered bonds and will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for each issue of Bonds. Purchases will be made in book-entry form through DTC participants and no physical delivery of Bonds will be made to purchasers, except as otherwise described herein. Payments of principal and premium, if any, and interest on each issue of Bonds will be made by First Union National Bank, as Trustee and Paying Agent, to Cede & Co., as nominee for DTC, as registered owner of the Bonds, to be subsequently disbursed to DTC participants and thereafter to the beneficial owners of the Bonds. See "THE BONDS--Book-Entry System" herein.

The Remarketing Agent for the Bonds of each issue initially is SunTrust Bank, Atlanta.

PRICE: 100%

Each issue of Bonds is offered subject to prior sale, when, as and if issued and received by the Placement Agent, subject to the approval of legality by Balch & Bingham LLP, Birmingham, Alabama, Bond Counsel, and certain other conditions. Certain legal matters, other than the validity of each issue of Bonds and the exclusion from gross income for federal income tax purposes of interest thereon, will be passed on for the Company by its counsel, Beggs & Lane, Pensacola, Florida, and Troutman Sanders LLP, Atlanta, Georgia, and for the Placement Agent by its counsel, Dewey Ballantine, New York, New York. Each issue of Bonds is expected to be delivered through the facilities of DTC in New York, New York on or about July 1, 1997.

SunTrust Bank, Atlanta,
as Placement Agent

June 30, 1997

The information contained in this Limited Offering Memorandum has been obtained from Gulf Power Company or other sources deemed reliable by the Counties. No representation or warranty is made as to the accuracy or completeness of such information, and nothing contained in this Limited Offering Memorandum is, or shall be relied upon as, a promise or representation by the Placement Agent. This Limited Offering Memorandum is submitted in connection with the sale of securities as referred to herein, and may not be reproduced or be used, in whole or in part, for any other purpose. The delivery of this Limited Offering Memorandum at any time does not imply that information herein or in the Appendix hereto (including the documents incorporated therein by reference) is correct as of any time subsequent to its date.

No broker, dealer, salesman or any other person has been authorized by the Counties, by Gulf Power Company or by the Placement Agent to give any information or to make any representation other than as contained in this Limited Offering Memorandum or in the Appendix hereto (including the documents incorporated therein by reference) in connection with the offering described herein, and, if given or made, such other information or representation must not be relied upon as having been authorized by any of the foregoing. This Limited Offering Memorandum does not constitute an offer of any securities other than those described on the cover page or an offer to sell or a solicitation of an offer to buy in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

IN MAKING AN INVESTMENT DECISION INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE COUNTIES AND THE COMPANY AND THE TERMS OF THE OFFERING INCLUDING THE MERITS AND RISKS INVOLVED. THESE SECURITIES HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING REGULATORY AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS LIMITED OFFERING MEMORANDUM. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

CERTAIN PERSONS PARTICIPATING IN THIS OFFERING MAY ENGAGE IN TRANSACTIONS THAT STABILIZE, MAINTAIN OR OTHERWISE AFFECT THE PRICE OF THE BONDS, INCLUDING BY ENTERING STABILIZING BIDS. FOR A DISCUSSION OF THESE ACTIVITIES, SEE "PLACEMENT" HEREIN.

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LIMITED OFFERING MEMORANDUM

$40,930,000

$37,000,000
Escambia County, Florida
Pollution Control Revenue Refunding Bonds
(Gulf Power Company Project),
Series 1997

$3,930,000
Jackson County, Florida
Pollution Control Revenue Refunding Bonds
(Gulf Power Company Project),
Series 1997

INTRODUCTORY STATEMENT

This Limited Offering Memorandum is provided to furnish information in connection with the sale by Escambia County, Florida and Jackson County, Florida (collectively, the "Counties" and separately, the "County") of $37,000,000 and $3,930,000 aggregate principal amounts, respectively, of Escambia County, Florida Pollution Control Revenue Refunding Bonds (Gulf Power Company Project), Series 1997 (the "Escambia Bonds") and Jackson County, Florida Pollution Control Revenue Refunding Bonds (Gulf Power Company Project), Series 1997 (the "Jackson Bonds") (the Escambia Bonds and the Jackson Bonds being herein referred to collectively as the "Bonds"). The Bonds are to be dated as of the date of their initial issuance, and, subject to prior redemption as hereinafter set forth, will mature on the date set forth on the cover page hereof.

Each issue of Bonds is to be issued pursuant to a separate Trust Indenture dated as of July 1, 1997 (collectively, the "Indentures" and separately, the "Indenture") between each County and First Union National Bank, Jacksonville, Florida, as trustee (the "Trustee"), to provide funds to refinance the acquisition, construction, installation and equipping of the interest of Gulf Power Company (the "Company") in certain air and water pollution control and sewage and solid waste disposal facilities (collectively, the "Projects" and separately, a "Project"). The Projects are located at the Crist (Escambia County) ("Plant Crist") and Lansing Smith (Bay County) steam electric generating plants in the case of the Escambia Bonds, and at Scholz (Jackson County) ("Plant Scholz") steam electric generating plant in the case of the Jackson Bonds.

Each County will loan to the Company the proceeds of the Bonds pursuant to a separate Loan Agreement dated as of July 1, 1997 (collectively, the "Agreements" and separately, an "Agreement"). In order to evidence the loan from each County (the "Loan") and to provide for its repayment, the Company will issue a separate nonnegotiable promissory note (collectively, the "Notes" and separately, a "Note") pursuant to each Agreement. Payments required under each Note will be sufficient to pay when due the principal of, premium, if any, and interest on the related Bonds.

Except as otherwise noted herein, each issue of the Bonds contains substantially the same terms and provisions, each issue of the Bonds will be independent of the other issue and a default under one issue of the Bonds will not constitute a default under the other issue; it is possible, however, for the same occurrence to constitute an event of default with respect to both issues.

The Bonds will be limited special obligations of the respective County payable solely, except to the extent paid out of Bond proceeds, from and secured by revenues and proceeds to be received by such County pursuant to the related Note. Each issue of Bonds will be secured by an assignment and pledge to the Trustee of substantially all the respective County's right, title and interest in and to its Note and Agreement.

There follow brief descriptions of the Counties, the use of the proceeds of the Bonds, the Bonds, the Agreements, the Indentures and the Remarketing Agreements. Information with respect to the Company, including certain financial statements, is set forth or incorporated by reference in the Appendix hereto.

The descriptions and summaries herein do not purport to be complete, and reference is made to each document for the complete details of all of its terms and conditions. Terms not defined herein have the meanings set forth in the Agreements and the Indentures, copies of which are available for inspection, during the initial offering period of the Bonds, at the offices of Southern Company Services, Inc., 64 Perimeter Center East,

Atlanta, Georgia 30346, Attention: Wayne Boston. The statements made herein are qualified in their entirety by reference to each such document.

THE COUNTIES

Escambia County and Jackson County are each political subdivisions of the State of Florida, duly created and validly existing pursuant to the Constitution and the laws of the State of Florida.

USE OF BOND PROCEEDS; REFUNDING OF OUTSTANDING BONDS

The proceeds received by each County from the sale of the Bonds will be held by the Trustee under the Indenture and will be transferred on a date to be designated by the Company (but not later than 90 days after the initial issuance of the Bonds) to the trustee for the Refunded Bonds, hereinafter described, to be used to redeem on such date $32,000,000 aggregate principal amount of Escambia County, Florida 8.25% Pollution Control Revenue Refunding Bonds (Gulf Power Company Project), Series 1987, $5,000,000 aggregate principal amount of Escambia County, Florida 6.75% Pollution Control Revenue Refunding Bonds (Gulf Power Company Project), Series 1992 and $3,930,000 aggregate principal amount of Jackson County, Florida 6.75% Pollution Control Revenue Refunding Bonds (Gulf Power Company Project), Series 1992 (collectively, the "Refunded Bonds").

It is anticipated that a total of approximately $175,000 will be expended by the Company for legal, printing and miscellaneous fees in connection with the issuance of the Bonds. See also "PLACEMENT" herein.

THE BONDS

Separate Issues

Each issue of Bonds is a separate issue although each issue contains substantially the same terms and provisions.

No issue of Bonds is entitled to the benefits of any payments or other security pledged for the benefit of the other issue. Optional, extraordinary or mandatory redemption or purchase in lieu of redemption of each issue of Bonds may be made in the manner described below without the redemption or purchase of the other issue and a default in the payment of the principal of, premium, if any, purchase price, or interest on the Bonds of one issue will not constitute an event of default in respect of the other issue. In the following summary of the terms of the Bonds, the references to the Agreement, the Indenture, the Loan, the Note, the Project, the Trustee and the County are to the Agreement, the Indenture, the Loan, the Note, the Project, the Trustee and the County relating to each issue of Bonds.

General

The Bonds will be dated the date of their original issuance and delivery and will bear interest from that date. The Bonds will be initially issued in book-entry only form and will mature, subject to prior redemption, on the date set forth on the cover page of this Limited Offering Memorandum.

The Bonds will bear interest at a Daily Rate, a Weekly Rate, a Commercial Paper Rate or a Long-Term Interest Rate, as described below, provided, however, that in no event shall the rate of interest on the Bonds exceed 15% per annum. Interest on the Bonds will initially be payable at a Daily Rate. The Company may change the interest rate determination method for the Bonds from time to time, as described below under "Change in Interest Rate Determination Method." A change in the interest rate determination method for the Bonds will result in the redemption or purchase in lieu of redemption of the Bonds, as described below under "Redemption."

The Bonds will be issuable as fully registered bonds without coupons in denominations as follows: (i) when interest is payable at a Daily, Weekly or Commercial Paper Rate, $100,000 or any integral multiple thereof; and (ii) when interest is payable at a Long-Term Interest Rate, $5,000 and integral multiples thereof; provided, however, that if, on the effective date of a change in the method of determining the interest rate on the Bonds to a Long-Term Interest Rate for a Long-Term Interest Rate Period or upon commencement of a new Long-Term Interest Rate Period, the Bonds do not then have an investment-grade rating from a nationally recognized statistical rating agency, then during such Long-Term Interest Rate Period, the Bonds may be issued only in registered form without coupons in denominations of $100,000 or any integral multiple thereof.

The Bonds will be registered initially in the name of Cede & Co., as registered owner and nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Bonds and individual purchases of Bonds may be made in book-entry form only. So long as the Bonds are in book-entry only form, purchasers of Bonds will not receive certificates representing their interest in the Bonds purchased. So long as Cede & Co. is the registered owner of such Bonds, as nominee of DTC, references herein to the Bondholders or registered owners or holders shall mean Cede & Co. and shall not mean the Beneficial Owners (as defined herein) of the Bonds.

So long as Cede & Co. is the registered owner of Bonds, principal of, premium, if any, and interest on the Bonds are payable to Cede & Co., as nominee for DTC, which will, in turn, remit such amounts to the DTC Participants (as defined herein) for subsequent disbursement to the Beneficial Owners. See "Book-Entry System" below.

First Union National Bank is the Trustee under the Indenture. The designated corporate trust office of First Union National Bank is currently located in Jacksonville, Florida. The Trustee may be removed at any time by the holders of a majority in aggregate principal amount of the Bonds at the time outstanding. Any resignation or removal of the Trustee will become effective upon the acceptance of appointment by the successor Trustee. See "THE TRUSTEE" below.

SunTrust Bank, Atlanta has been appointed as remarketing agent for the Bonds under the Indentures. See "THE REMARKETING AGREEMENTS" below.

Book-Entry System

DTC will act as securities depository (the "Securities Depository") for the Bonds. The Bonds will be issued initially in the form of fully-registered bonds in the aggregate principal amount of the Bonds and will be registered in the name of Cede & Co. (DTC's partnership nominee).

DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934, as amended. DTC holds securities that its participants ("Participants") deposit with DTC. DTC also facilitates the settlement among Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in Participants' accounts, thereby eliminating the need for physical movement of securities certificates. Direct Participants (the "Direct Participants") include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is owned by a number of its Direct Participants and by the New York Stock Exchange, Inc., the American Stock Exchange, Inc. and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as securities brokers and dealers, banks and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (the "Indirect Participants"). The rules applicable to DTC and its Participants are on file with the Securities and Exchange Commission.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond (the "Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to

receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participants through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. The deposit of Bonds with DTC and their registration in the name of Cede & Co. effect no change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to Cede & Co. If less than all of the Bonds are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant to be redeemed

Neither DTC nor Cede & Co. will consent or vote with respect to Bonds. Under its usual procedures, DTC mails an Omnibus Proxy to the County as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Bonds will be made to DTC. DTC's practice is to credit Direct Participants' accounts on the applicable payment date in accordance with their respective holdings shown on DTC's records unless DTC has reason to believe that it will not receive payment on such date. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Company, the Trustee or the County, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to DTC is the responsibility of the Trustee, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as Securities Depository with respect to the Bonds at any time by giving reasonable notice to the County or Trustee. Under such circumstances, in the event that a successor Securities Depository is not obtained, Bond certificates are required to be printed and delivered. The Company may decide to discontinue use of the book-entry system through DTC or any successor Securities Depository. In that event, Bond certificates will be printed and delivered.

The foregoing information concerning DTC and DTC's book-entry system has been obtained from DTC and contains statements that are believed to describe accurately DTC, the method of effecting book-entry transfers of securities distributed through DTC and certain related matters, but neither the County, the Company nor the Placement Agent takes any responsibility for the accuracy of such statements.

In the event that the book-entry system is discontinued, a holder may transfer or exchange the Bonds in accordance with the Indenture. The Trustee will require a holder, among other things, to furnish appropriate endorsements and transfer documents and to pay any taxes and fees required by law or permitted by the Indenture. Except in connection with the purchase of Bonds tendered for purchase or purchased in lieu of redemption, the Trustee is not required to transfer or exchange any Bond which has been called for redemption or during the period beginning 15 days before mailing a notice of redemption of the Bonds or any portion of the Bonds and ending on the redemption date. In addition, in case of such discontinuance, an additional or co-paying agent will be designated.

Interest on the Bonds

Interest on the Bonds will be payable as described below. Interest on the Bonds will initially be payable at the Daily Rate on the fifth Business Day (as defined below) of each month commencing August 7, 1997. The interest rate determination method for the Bonds may be changed by the Company as described under "Change in Interest Rate Determination Method" below. See "Summary" below for a table summarizing certain provisions of the Bonds.

"Business Day" means any day other than (i) a Saturday or Sunday, (ii) a day on which commercial banks in New York, New York, Jacksonville, Florida, Atlanta, Georgia, or any other city in which the designated corporate trust office of the Trustee may be located, are authorized by law to close or (iii) a day on which the New York Stock Exchange is closed.

Interest will accrue on the unpaid portion of the principal of the Bonds from the last date to which interest was paid, or if no interest has been paid, from the date of the original issuance of the Bonds until the entire principal amount of the Bonds is paid. When interest is payable at a Daily, Weekly or Commercial Paper Rate, interest will be computed on the basis of the actual number of days elapsed over a year of 365 days (366 days in leap years), and when payable at a Long-Term Interest Rate on the basis of a 360-day year of twelve 30-day months. Interest on overdue principal and, to the extent lawful, on overdue premium and interest will be payable at the rate on the Bonds on the day before the default occurred. While there exists an Event of Default under the Indenture, the interest rate on the Bonds will be the rate on such Bonds on the day before the Event of Default occurred, except that if interest on any Bond was then payable at a Commercial Paper Rate, the interest rate for all Bonds then bearing interest at a Commercial Paper Rate will be the highest Commercial Paper Rate then in effect for any Bond.

Daily Rate

When interest on the Bonds is payable at a Daily Rate, the Remarketing Agent will set a Daily Rate on or before 11:00 A.M., New York City time, on each Business Day for that Business Day. Each Daily Rate will be the minimum rate necessary (as determined by the Remarketing Agent based on the examination of tax-exempt obligations comparable to the Bonds known by the Remarketing Agent to have been priced or traded under then-prevailing market conditions) for the Remarketing Agent to sell the Bonds on the day the Daily Rate is set at their principal amount (without regard to accrued interest). The Daily Rate for any non-Business Day will be the rate for the last day for which a rate was set.

Weekly Rate

The Remarketing Agent will set a Weekly Rate on or before 5:00 P.M., New York City time, on the last Business Day before the commencement of a period during which the Bonds are to bear interest at a Weekly Rate and on each Tuesday thereafter so long as interest on the Bonds is to be payable at a Weekly Rate or, if any Tuesday is not a Business Day, on the next preceding Business Day. Each Weekly Rate will be the minimum rate necessary (as determined by the Remarketing Agent based on the examination of tax-exempt obligations comparable to the Bonds known by the Remarketing Agent to have been priced or traded under then-prevailing market conditions) for the Remarketing Agent to sell the Bonds on the date the Weekly Rate is set at their principal amount (without regard to accrued interest). Each Weekly Rate shall apply to (i) the period beginning on the effective date of a change to a Weekly Rate and ending on the next Tuesday or (ii) the period beginning on the Wednesday after the Weekly Rate is set and ending on the following Tuesday or, if earlier, ending on the day before the effective date of a new method of determining the interest rate on the Bonds, as applicable.

Commercial Paper Rate

During each period of time, comprised of Commercial Paper Periods, during which Commercial Paper Rates are in effect (a "Commercial Paper Mode"), each Bond will bear interest during the Commercial Paper Period for such Bond at the Commercial Paper Rate for such Bond. Different Commercial Paper Periods may apply to different Bonds at any time and from time to time. Except as otherwise described below, the

Commercial Paper Period and Commercial Paper Rate for each Bond will be determined by the Remarketing Agent no later than 12:15 P.M., New York City time, on the first day of each Commercial Paper Period.

The Commercial Paper Rate for each Commercial Paper Period for each Bond will be the minimum rate necessary (as determined by the Remarketing Agent based on the examination of tax-exempt obligations comparable to the Bonds known by the Remarketing Agent to have been priced or traded under then-prevailing market conditions) for the Remarketing Agent to sell such Bond on the date and at the time of the determination of the Commercial Paper Rate at its principal amount (without regard to accrued interest).

Determination of Commercial Paper Periods. Each Commercial Paper Period will be a period of at least 1 day and not more than 365 days, determined by the Remarketing Agent to be the period which, together with all other Commercial Paper Periods for all Bonds then outstanding, will, in the judgment of the Remarketing Agent, result in the lowest overall interest expense on the Bonds over the next 365 days. Each Commercial Paper Period will end either on the day before a Business Day or on the day before the maturity date for such Bond. However, any Bond purchased on behalf of the Company (see "Redemption -- *Purchase of Bonds in Lieu of Redemption*" below) and remaining unsold by the Remarketing Agent as of the close of business on the first day of the Commercial Paper Period for that Bond will have a Commercial Paper Period of 1 day or, if that Commercial Paper Period would not end on a day before a Business Day, a Commercial Paper Period of the shortest possible duration greater than 1 day ending on a day before a Business Day.

In determining the number of days in each Commercial Paper Period, the Remarketing Agent will take into account the following factors: (i) existing short-term tax exempt market rates and indices of such short-term rates, (ii) the existing market supply and demand for short-term tax-exempt securities, (iii) existing yield curves for short-term and long-term tax-exempt securities for obligations of credit quality comparable to the Bonds, (iv) general economic conditions, (v) industry economic and financial conditions that may affect or be relevant to the Bonds, (vi) the number of days in other Commercial Paper Periods applicable to the Bonds and (vii) such other facts, circumstances and conditions as the Remarketing Agent, in its sole discretion, shall determine to be relevant. In connection with a change from a Commercial Paper Mode to a different interest rate determination method, the Remarketing Agent will determine Commercial Paper Periods of such duration that will, in the judgment of the Remarketing Agent, best promote an orderly transition on the effective date.

Long-Term Interest Rate

The Remarketing Agent will set a Long-Term Interest Rate on a date no more than 15 days before the beginning of any period (a "Long-Term Interest Rate Period") in which interest on any of the Bonds will be payable at a Long-Term Interest Rate. The last day of each such Long-Term Interest Rate Period shall be determined by the Company in accordance with the Indenture. Each Long-Term Interest Rate will be the minimum rate necessary (as determined by the Remarketing Agent based on the examination of tax-exempt obligations comparable to the Bonds known by the Remarketing Agent to have been priced or traded under then-prevailing market conditions) for the Remarketing Agent to sell the Bonds on the effective date of the Long-Term Interest Rate at their principal amount (without regard to accrued interest).

Fallback Interest Period and Rate

If the appropriate Daily, Weekly, Commercial Paper or Long-Term Interest Rate or Commercial Paper Period is not or cannot be determined for any reason, the method of determining interest on the Bonds will be automatically converted to the Weekly Rate (without the necessity of complying with the requirements of the Indenture described under "Change in Interest Rate Determination Method") and the interest rate will be equal to the J.J. Kenny Index (as defined below), or such other index (or percentage of an index) deemed appropriate for tax-exempt securities of the nature of the Bonds as the Remarketing Agent with the consent of the Trustee may have previously selected, until such time as the method of determining interest on the Bonds can be changed in accordance with the Indenture; provided, that if the Bonds are then in a Long-Term Interest Rate Period, the Bonds will bear interest at a Weekly Rate, but only if there has been delivered to the County and the Trustee an opinion of nationally recognized tax counsel acceptable to the County and the Trustee to the effect that the change to a Weekly Rate is permitted by the laws of the State of Florida and the Indenture and will not adversely affect any exclusion from gross income for federal income tax purposes of interest on the Bonds (a "Favorable Opinion of Tax Counsel"). If such Favorable Opinion of Tax Counsel has not been delivered, the Bonds will

remain in a Long-Term Interest Rate Period with a duration equal to the prior Long-Term Interest Rate Period (or, if earlier, a Long-Term Interest Rate Period ending on the day before the Maturity Date for the Bonds and with an interest rate equal to the interest rate for the prior Long-Term Interest Rate Period. The Trustee will promptly notify the Bondholders of any such automatic conversion as provided in the Indenture

While Bonds are in a Commercial Paper Mode, during any transition period caused by an automatic conversion of such Bonds to a Weekly Rate as described above, Bonds bearing interest at a Weekly Rate and Bonds bearing interest at a Commercial Paper Rate, as applicable, will be governed by the provisions of the Indenture applicable to such methods of determining interest on the Bonds.

"J.J. Kenny Index" means, as of any date, the index of seven day yields on high grade tax exempt municipal bonds as determined by J.J. Kenny Co., Inc. or any successor thereto and published on such date (or, if not published on such date, on the most recent day prior thereto on which such index has been published).

Calculation and Notice of Interest

The Remarketing Agent will provide the Trustee and the Company with notice in writing or by telephone promptly confirmed by facsimile transmission by 12:30 P.M., New York City time, (i) on the first Business Day after a month in which interest on the Bonds was payable at a Daily Rate, of the Daily Rate for each day in such month, (ii) on each day on which a Weekly Rate becomes effective, of the Weekly Rate, (iii) on the first day of each Commercial Paper Period, of the length thereof and the Commercial Paper Rate, and, if there is more than one Commercial Paper Rate then in effect, of the related applicable principal amounts, (iv) on the first Business Day of a Long-Term Interest Rate Period, of the Long-Term Interest Rate or Long-Term Interest Rates set for that period and the related applicable principal amounts, and (v) on any Business Day preceding any redemption or purchase date, any interest rate requested by the Trustee in order to enable it to calculate the accrued interest, if any, due on such redemption or purchase date. Using the rates supplied by such notice, the Trustee will calculate the interest payable on the Bonds. The Trustee will confirm the effective interest rate by telephone or in writing to any Bondholder who requests it in any manner.

The setting of the rates and the determination of Commercial Paper Periods by the Remarketing Agent and the calculation of interest payable on the Bonds by the Trustee as provided in the Indenture will be conclusive and binding on the County, the Company, the Trustee and the owners of the Bonds.

Change in Interest Rate Determination Method

The Company may from time to time change the method of determining the interest rate on the Bonds by (i) notice to the County, the Trustee, the Remarketing Agent and, if the book-entry system is then in effect with respect to the Bonds, the Securities Depository and (ii) under certain circumstances set forth in the Indenture, delivery of a Favorable Opinion of Tax Counsel. The Company's notice will specify (i) the effective date of the proposed change in interest rate determination method, (ii) the proposed interest rate determination method and (iii) if the change is to a Long-Term Interest Rate (or successive Long-Term Interest Rates), the last day of the Long-Term Interest Rate Period (and, as applicable, the effective dates and last days of any succeeding Long-Term Interest Rate Periods). The Long-Term Interest Rate Period shall be the same duration for all of the Bonds. The interest rate payable on the Bonds will be payable at the proposed rate on the effective date specified in the Company's notice, provided that: (i) the Company's notice complies with the provisions of the Indenture and the change to the proposed interest rate determination method complies with certain limitations set forth in the Indenture; and (ii) a confirming Opinion of Tax Counsel required under the Indenture has been delivered (see "Cancellation of Change in Interest Rate Determination Method if Opinion of Tax Counsel is Not Confirmed" below).

If, 30 days before the end of a Long-Term Interest Rate Period, the Company has not provided for the next interest rate period, a new Long-Term Interest Rate Period of the same duration (or, if shorter, a Long-Term Interest Rate Period ending on the day before the Maturity Date for the Bonds) will follow.

Notice of Change in Interest Rate Determination Method

The Trustee, upon receiving notice from the Company pursuant to the Indenture, is required to give at least 15 days written notice by first-class mail to the Bondholders before the effective date of a change in the interest rate determination method or the commencement of a new Long-Term Interest Rate Period, provided that such notice is required to be given at least 30 days prior to the effective date if a Long-Term Interest Rate is in effect and the effective date is on or before the end of the Long-Term Interest Rate Period. Each notice will be effective when sent and will state: (i) that the interest rate determination method will change and what the new method will be; (ii) the proposed effective date of the new interest rate; and (iii) that the Bonds will be subject to mandatory redemption or mandatory purchase in lieu of redemption on the effective date of the change and the information required to be included in a notice of redemption pursuant to the Indenture. See "Redemption - *Notice of Redemption*" below.

Cancellation of Change in Interest Rate Determination Method if Opinion of Tax Counsel is Not Confirmed

No change will be made in the interest rate determination method at the direction of the Company as described under "Change in Interest Rate Determination Method" above if the Company shall fail to deliver on the effective date confirmation of the Favorable Opinion of Tax Counsel described in the first paragraph under "Change in Interest Rate Determination Method" above. If a confirming Opinion of Tax Counsel is not so delivered, (i) the Trustee will promptly give notice thereof to the holders of the Bonds if notice of the change in interest rate determination method has been given and (ii) the Bonds will continue to bear interest under the then-current method.

Optional Tender

While the Bonds bear interest at a Daily Rate or a Weekly Rate, the holder of any Bond may elect to have its Bond (or any portion of its Bond equal to the lowest authorized denomination or whole multiples thereof) purchased by the Trustee at 100% of the principal amount thereof plus interest accrued to the date of purchase, as described below.

Daily Rate Tender. When interest on a Bond is payable at a Daily Rate and a book-entry system is in effect, a Beneficial Owner of such Bond (through its Direct Participant in the Securities Depository) may tender its interest in a Bond (or portion of Bond) by delivering an irrevocable written notice or an irrevocable telephone notice, promptly confirmed in writing, to the Trustee and an irrevocable notice to the Remarketing Agent by telephone, telegraph or facsimile transmission, in each case by 11:00 A.M., New York City time, on a Business Day, stating the principal amount of the Bond (or portion of Bond) being tendered, payment instructions for the purchase price and the Business Day (which may be the date the notice is delivered) the Bond (or portion of Bond) is to be purchased. The Beneficial Owner shall effect delivery of such Bond by causing such Direct Participant to transfer its interest in the Bond equal to such Beneficial Owner's interest on the records of the Securities Depository to the participant account of the Trustee with the Securities Depository. Any notice received by the Trustee after 11:00 A.M., New York City time, will be deemed to have been given on the next Business Day.

When interest on a Bond is payable at a Daily Rate and a book-entry system is not in effect, a holder of a Bond may tender the Bond (or portion of Bond) by delivering (i) the notices described above (which must include the certificate number of the Bond) and (ii) the Bond to the Trustee by 1:00 P.M., New York City time, on the date of purchase.

Weekly Rate Tender. When interest on a Bond is payable at a Weekly Rate and a book-entry system is in effect, a Beneficial Owner of such Bond (through its Direct Participant in the Securities Depository) may tender its interest in a Bond (or portion of Bond) by delivering an irrevocable written notice or an irrevocable telephone notice, promptly confirmed in writing, to the Trustee and an irrevocable notice to the Remarketing Agent by telephone, telegraph or facsimile transmission, in each case prior to 5:00 P.M., New York City time, on a Business Day stating the principal amount of the Bond (or portion of Bond) being tendered, payment instructions for the purchase price, and the date, which must be a Business Day at least seven days after the notice is delivered, on which the Bond (or portion of Bond) is to be purchased. The Beneficial Owner shall

effect delivery of such Bond by causing such Direct Participant to transfer its interest in the Bond equal to such Beneficial Owner's interest on the records of the Securities Depository to the participant account of the Trustee with the Securities Depository.

When interest on a Bond is payable at a Weekly Rate and a book-entry system is not in effect, a holder of a Bond may tender the Bond (or portion of Bond) by delivering (i) the notices as described above (which must include the certificate number of the Bond), and (ii) the Bond to the Trustee by 1:00 P.M., New York City time, on the date of purchase.

Payment of Purchase Price. Payment of the purchase price of Bonds to be purchased upon optional tender as described above will be made by the Trustee in immediately available funds by the close of business on the date of purchase. During a Daily Rate Period, if a Bond is tendered after the Record Date and before the Interest Payment Date for that Interest Period, the Trustee will pay a purchase price of principal plus interest accruing after the last day of that Interest Period. The tendering holder will receive interest for that Interest Period from the Trustee pursuant to the usual procedures for the payment of interest.

Provisions Applicable to All Tenders. Bonds for which the owners have given notice of tender for purchase but which are not delivered on the tender date shall be deemed tendered. Bonds tendered for purchase on a date after a call for redemption has been given but before the redemption date will be purchased pursuant to the tender.

Notices In respect of tenders and Bonds tendered must be delivered as follows.

Trustee	Remarketing Agent
First Union National Bank	SunTrust Bank, Atlanta
225 Water Street, 3rd Floor	303 Peachtree Street, 23rd Floor
Jacksonville, Florida 32202	Atlanta, Georgia 30308
Attention: Corporate Trust Department	Attention: Municipal Desk
Telephone: (904) 361-3174	Telephone: (404) 588-7981
Telecopy: (904) 361-7735	Telecopy: (404) 724-3219

The above delivery addresses or telephone numbers of the Trustee or the Remarketing Agent may be changed by notice mailed by first-class mail to the Bondholders at their registered addresses. All tendered Bonds must be accompanied by an instrument of transfer satisfactory to the Trustee, executed in blank by the holder or its duly authorized attorney, with the signature guaranteed by an eligible guarantor institution.

No Bonds may be tendered while they bear interest at a Commercial Paper Rate or a Long-Term Interest Rate.

Irrevocability

Each notice of tender, whether delivered in writing or by telephone or facsimile transmission, will automatically constitute an irrevocable tender for purchase of the Bond (or portion) to which the notice relates on the purchase date at a price equal to 100% of the principal amount of such Bond (or portion) plus any interest thereon accrued and unpaid as of the purchase date. The determination of the Trustee as to whether a notice of tender has been properly delivered will be conclusive and binding upon the Bondholders.

The Trustee may refuse to accept delivery of any Bond for which a proper instrument of transfer has not been provided. If any owner of a Bond who gave notice fails to deliver its Bond to the Trustee at the place and on the applicable date and time specified, or fails to deliver its Bond properly endorsed, its Bond shall constitute an undelivered Bond and will be purchased on the date specified in the notice.

Remarketing and Purchase

Except to the extent the Company directs the Remarketing Agent not to do so and except as otherwise provided in the Indenture, the Remarketing Agent for each issue of Bonds will offer for sale and use reasonable

efforts to sell all Bonds of such issue tendered for purchase or purchased in lieu of redemption (as described below) at a price equal to 100% of the principal amount thereof plus accrued interest, if any, to the purchase date. The Trustee will pay the purchase price of the Bonds tendered for purchase first from the proceeds of the remarketing of such Bonds and, if such remarketing proceeds are insufficient, from moneys made available by the Company pursuant to the Agreement and Note. The Company is obligated under the related Agreement and Note to purchase any Bonds tendered for purchase to the extent such Bonds have not been remarketed. See "THE REMARKETING AGREEMENTS" below.

Redemption

As described below, the Company has the right to purchase Bonds in lieu of certain redemptions. By acceptance of each Bond, the holder agrees to sell and surrender its Bond, properly endorsed, to the Company in lieu of redemption under the conditions described below. All redemptions and purchases in lieu of redemption will be made in funds immediately available on the redemption or purchase date and will be at a redemption or purchase price of 100% of the principal amount of the Bonds being redeemed or purchased (unless a premium is required as described below) plus interest accrued to the redemption or purchase date, except that interest accruing at a Daily Rate will be paid on the fifth Business Day following the redemption or purchase date. No purchase of Bonds by the Company or advance use of any funds to effectuate any such purchase will be deemed to be a payment or redemption of the Bonds or of any portion thereof and such purchase will not operate to extinguish or discharge the indebtedness evidenced by such Bonds.

Optional Redemption During Daily or Weekly Rate Period. When interest on the Bonds is payable at a Daily or Weekly Rate, the Bonds may be redeemed in whole or in part, at the option of the Company, on any Business Day.

Optional Redemption During Long-Term Interest Rate Period. During any Long-Term Interest Rate Period, (a) if the Long-Term Interest Rate Period is less than or equal to five years, the Bonds will not be optionally redeemable during the Long-Term Interest Rate Period; and (b) if the Long-Term Interest Rate Period is greater than five years, the Bonds will not be optionally redeemable for five years after the date on which the Bonds begin to bear interest at the Long-Term Interest Rate. After the five-year Call Protection Period (defined below), the Bonds may be redeemed or purchased by the Company in lieu of redemption at any time in whole or in part at 102% of their principal amount. The premium will decline every year by one percentage point until the Bonds are redeemable without premium. As an alternative to and in lieu of the foregoing redemption and purchase provisions, if, with respect to any Long-Term Interest Rate Period, a Favorable Opinion of Tax Counsel is delivered to the Trustee not later than the date of the establishment of such Long-Term Interest Rate Period, the Bonds may be redeemed or purchased by the Company in lieu of redemption during such Long-Term Interest Rate Period at the option of the Company in whole or in part at any time after a Call Protection Period, if any, established by the Remarketing Agent, at the percentages of their principal amount, plus accrued interest, as follows: the Remarketing Agent will, given the duration of the Long-Term Interest Rate Period, determine and inform the Trustee no later than the date of the establishment of the Long-Term Interest Rate, the period during which the Bonds will not be subject to redemption or purchase by the Company in lieu of redemption (the "Call Protection Period"), the premium or premiums payable upon redemption or purchase by the Company in lieu of redemption (the "Call Premiums"), if any, applicable to the redemption or purchase in lieu of redemption of Bonds after the Call Protection Period, and the period or periods during which the Call Premiums will be effective (the "Call Premium Periods") necessary to establish the Long-Term Interest Rate. Such Call Protection Period, Call Premiums and Call Premium Periods will be established in accordance with optional call redemption provisions which, in the judgment of the Remarketing Agent, are generally accepted as the standard features for obligations such as the Bonds, given the length of the Long-Term Interest Rate Period.

After Bonds are purchased by the Company in lieu of redemption during any Long-Term Interest Rate Period, as described above, such Bonds remain outstanding and may be offered for sale in a different interest rate mode (the four modes being Daily, Weekly, Commercial Paper and Long-Term Interest Rates) pursuant to the terms of the Indenture.

Extraordinary Optional Redemption. The Bonds are subject to redemption in whole without premium at any time upon receipt by the Trustee and the County of a written notice from the Company stating that the Company has determined that:

(a) Any federal, state or local body exercising governmental or judicial authority has taken any action which results in the imposition of unreasonable burdens or excessive liabilities with respect to the Project or Plant Crist or Plant Scholz, as the case may be, in connection with which the Project is used, rendering impracticable or uneconomical the operation of either the Project or such Plant, including, without limitation, the condemnation or taking by eminent domain of all or substantially all of the Project or such Plant; or

(b) Changes in the economic availability of raw materials, operating supplies or facilities or technological or other changes have made the continued operation of Plant Crist or Plant Scholz, as the case may be, as an efficient generating facility uneconomical; or

(c) The Project or Plant Crist or Plant Scholz, as the case may be, has been damaged or destroyed to such an extent that it is not practicable or desirable to rebuild, repair or restore the Project or such Plant.

If the County has received such notice by the Company, the County, upon request of the Company, will give written notice to the Trustee directing the Trustee to take all action necessary to redeem the outstanding Bonds in whole without premium and on a date specified in such notice, which date shall be not less than forty-five (45) nor more than ninety (90) days from the date the notice is received by the Trustee.

Mandatory Redemption at Beginning of a New Long-Term Interest Rate Period. When the Bonds bear interest at a Long-Term Interest Rate and a new Long-Term Interest Rate is to be determined, the Bonds will be redeemed or purchased by the Company in lieu of redemption on the effective date of the new Long-Term Interest Rate. In the case of a change prior to the day originally established as the day after the last day of a Long-Term Interest Rate Period, the Bonds will be redeemed or purchased at the percentage of their principal amount which would be payable upon the applicable redemption or purchase in lieu thereof described under "*Optional Redemption During Long-Term Interest Rate Period*" above.

Mandatory Redemption on Each Interest Payment Date During Commercial Paper Mode. When Bonds bear interest at a Commercial Paper Rate, each Bond will be redeemed or purchased by the Company in lieu of redemption on the Interest Payment Date for such Bond.

Mandatory Redemption upon a Change in the Method of Determining the Interest Rate on the Bonds. On the effective date of the change in the method of determining the interest rate on the Bonds, the Bonds will be redeemed or purchased by the Company in lieu of redemption on the effective date of such change. Any such redemption or purchase will be at a price equal to 100% of the principal amount of the Bonds except that in the case of a change prior to the day originally established as the day after the last day of a Long-Term Interest Rate Period, the Bonds will be redeemed or purchased at the percentage of their principal amount which would be payable upon the applicable redemption or purchase in lieu thereof described under "*Optional Redemption During Long-Term Interest Rate Period*" above.

Purchase of Bonds in Lieu of Redemption. When Bonds are called for redemption as described above under the captions "*Optional Redemption During Long-Term Interest Rate Period,*" "*Mandatory Redemption at Beginning of a New Long-Term Interest Rate Period*" or "*Mandatory Redemption upon a Change in the Method of Determining the Interest Rate on the Bonds,*" the Company may purchase some of or all the Bonds called for redemption at the applicable redemption price if it (or the Remarketing Agent) gives notice to the Trustee by 5:00 P.M., New York City time, on the day before the redemption date that it wishes to purchase the Bonds the principal amount of which is specified in the notice and furnishes the Trustee sufficient money in sufficient time for the Trustee to make the purchase on the redemption date. In addition, the Trustee will purchase Bonds called for redemption as described above under the caption "*Mandatory Redemption on Each Interest Payment Date During Commercial Paper Mode*" unless otherwise instructed in writing by the Company, or unless the Indenture otherwise requires that they be redeemed and cancelled, before the redemption date.

Notice of Redemption. At least 30 days before each redemption (except for redemptions described under "*Mandatory Redemption on Each Interest Payment Date During Commercial Paper Mode*" above, for which no notice will be given) the Trustee will mail a notice of redemption by first-class mail to each Bondholder at the

holder's registered address. Each notice of redemption will identify the Bonds to be redeemed and will state (i) the redemption date (and, if the Bonds provide that accrued interest will not be paid on the redemption date, the date it will be paid), (ii) the redemption price, (iii) that the Bonds called for redemption must be surrendered to collect the redemption price, (iv) the address at which the Bonds must be surrendered and (v) that interest on the Bonds called for redemption ceases to accrue on the redemption date. With respect to an optional redemption of any Bonds described under "*Optional Redemption During Long-Term Interest Rate Period*," "*Extraordinary Optional Redemption*" or "*Optional Redemption During Daily or Weekly Rate Period*" above, unless moneys sufficient to pay the principal of, redemption premium, if any, and interest on the Bonds to be redeemed have been received by the Trustee prior to the giving of such notice of redemption, such notice may state that said redemption will be conditional upon the receipt of such moneys by the Trustee on or prior to the date fixed for redemption. If such moneys are not received, such notice will be of no force and effect, the County will not redeem such Bonds, the redemption price will not be due and payable, and the Trustee will give notice, in the same manner in which the notice of redemption was given, that such moneys were not so received and that such Bonds will not be redeemed.

Failure to give any required notice of redemption as to any particular Bonds or any defect therein will not affect the validity of the call for redemption of any Bonds in respect of which no such failure or defect occurs. Any notice mailed as described above shall be effective when sent and will be conclusively presumed to have been given whether or not actually received by the addressee.

Effect of Notice of Redemption. When notice of redemption is required and given, and when Bonds are to be redeemed without notice, Bonds called for redemption become due and payable on the redemption date at the applicable redemption price, subject to the Company's right to purchase Bonds as provided above; in such case when funds are deposited with the Trustee sufficient for redemption or for purchase, interest on the Bonds to be redeemed or purchased ceases to accrue as of the date of redemption or purchase.

Summary

Certain provisions of the Bonds and the Indenture are summarized in the following table:

	DAILY RATE	WEEKLY RATE	COMMERCIAL PAPER RATE	LONG-TERM INTEREST RATE
OPTIONAL TENDER; NOTICE	On any Business Day; notice no later than 11:00 A.M. same day	On any Business Day; notice no later than 5:00 P.M., seven days in advance	None	None
INTEREST PERIODS	Each day	Wednesday through Tuesday	1 to 365 days	366 days or longer
INTEREST RATE DETERMINED	Each Business Day	Each Tuesday (or preceding Business Day)	First day of each Commercial Paper Period	No more than 15 days before beginning of Long-Term Interest Rate Period
INTEREST ACCRUAL PERIOD	Calendar Month	Calendar Month	Each Commercial Paper Period	Six-Month Period (or portion) ending last day of June or December
INTEREST PAYMENT DATE	Fifth Business Day of next month	First Business Day of next month	Day after last day of Commercial Paper Period	January 1 and July 1
RECORD DATE	Last Business Day of month	Business Day before Interest Payment Date	Business Day before Interest Payment Date	December 15 or June 15
OPTIONAL REDEMPTION BY COMPANY	On any Business Day	On any Business Day	None	At any time after Call Protection Period
MANDATORY REDEMPTION	On effective date of change in interest rate determination method	On effective date of change in interest rate determination method	On effective date of change in interest rate determination method and on each Interest Payment Date	On effective date of change in interest rate determination method and on beginning of new Long-Term Interest Rate Period

SECURITY FOR THE BONDS

The Bonds will be limited special obligations of the County, payable solely, except to the extent paid out of Bond proceeds, from and secured by an assignment and pledge by the County to the Trustee of its right to payments by the Company pursuant to the Note.

The County will assign to the Trustee, for the benefit of the holders of the Bonds, all its right, title and interest in and to the Agreement and Note and amounts payable thereunder (except for certain amounts payable under the Agreement in respect to indemnification and certain fees and expenses). The payments by the Company under the Note are required to be made to the Trustee and to be equal, together with other moneys available therefor, to the amount of principal, purchase price, premium, if any, and interest required to be paid on the Bonds, whether at stated maturity, upon redemption or declaration, or otherwise.

The Bonds and the interest thereon shall not be deemed to constitute a debt or general obligation or a pledge of the faith and credit of the State of Florida or any political subdivision thereof including Escambia and Jackson Counties. Neither the State of Florida nor any political subdivision thereof nor the County shall be obligated to pay the principal of the Bonds, the interest thereon or other costs incident thereto except from the revenues and receipts pledged therefor, and neither the faith and credit nor the taxing power of the State of Florida or any political subdivision thereof, including Escambia and Jackson

Counties, is pledged to the payment of the principal of the Bonds or the interest thereon or other costs incident thereto.

THE AGREEMENTS

Each Agreement is an entirely separate Agreement although each contains substantially the same terms and provisions as the other Agreements. In the following summary of the terms and provisions of the Agreements, references to the Agreement, the Bonds, the Indenture, the Loan, the Note, the Project, the Trustee and the County are to the Agreement, the Bonds, the Indenture, the Loan, the Note, the Project, the Trustee and the County relating to each issue of Bonds.

Issuance of the Bonds

The County will issue the Bonds and loan the proceeds of the sale thereof to the Company, which proceeds will be applied as described under "USE OF BOND PROCEEDS; REFUNDING OF OUTSTANDING BONDS" herein.

Repayment of the Loan and Other Amounts Payable

In order to evidence the Loan and the Company's obligation to repay the same, the Company will issue the Note in the same principal amount as the Bonds and having the same stated maturity and interest rate or rates. Pursuant to the Note, the Company will pay to the Trustee, as assignee of the County, amounts which, and at or before times which, shall correspond to the payments in respect of principal of, premium, if any, and interest on the Bonds whenever and in whatever manner the same shall become due, whether at stated maturity, upon redemption or declaration or otherwise. The Company will also pay the purchase price of Bonds required to be purchased under the terms of the Indenture. In the event there are available moneys on deposit with the Trustee on any payment date, such moneys shall be credited against the payment then due.

The Company will also agree to pay the fees and charges of the Trustee and any paying agents and any expenses in connection with any redemption of the Bonds.

Term of Agreement

The Agreement shall continue in full force and effect until such time as all of the outstanding Bonds have been fully paid or provision has been made for such payment in accordance with the Indenture, whichever shall be earlier, and the fees and expenses of the Trustee and any paying agents shall have been paid.

Obligations of the Company Unconditional

The Company agrees that its obligations to make payments pursuant to the Note and to perform and observe the other agreements on its part contained in the Agreement are absolute and unconditional notwithstanding, among other things, changes in the law or failure by the County to perform its obligations under the Agreement.

Assignment and Pledge

The County will assign to the Trustee a security interest in all rights, title and interest in, to and under the Note and the Agreement and all amounts payable thereunder (except for certain payments under the Agreement in respect of indemnification and certain fees and expenses). The Company will assent to such assignment and will agree that, as to the Trustee, its obligation to make payments will be absolute and not subject to any defense or any right of set-off, counterclaim or recoupment arising out of any breach by the County or the Trustee of any obligation to the Company.

Consolidation, Merger or Sale of Assets

The Company may consolidate with or merge into another domestic corporation (i.e., a corporation incorporated and existing under the laws of one of the states of the United States of America or under the laws of the United States of America) or permit other corporations to consolidate with or merge into it, or sell or otherwise transfer to another domestic corporation all or substantially all of its assets as an entirety and thereafter dissolve, provided, in the event the Company is not the surviving, resulting or transferee corporation, that the surviving, resulting or transferee corporation assumes, accepts and agrees to pay and perform all of the obligations of the Company under the Agreement and the Note and is incorporated in or qualified to do business in Florida and that such consolidation or merger does not result in the loss of the exclusion from gross income for federal income tax purposes of interest on the outstanding Bonds.

Defaults and Remedies; Force Majeure

The Agreement provides that the happening of one or more of the following events will constitute an "Event of Default" under the Agreement: (a) failure by the Company to pay when due the amounts required to be paid pursuant to the Note which failure, in the case of such amounts in respect of interest on any Bond, continues for five days, or the failure by the Company to pay within 30 days of the date due any amounts required to be paid pursuant to the Agreement, (b) failure by the Company to observe and perform any other of its covenants, conditions or agreements under the Agreement for a period of 90 days after written notice from the County or the Trustee, unless extended, and (c) certain events of dissolution, liquidation, bankruptcy or reorganization of the Company.

Under the terms of the Agreement, certain of the Company's obligations under item (b) of the preceding paragraph may be suspended if by reason of force majeure, as defined in the Agreement, the Company is unable to carry out such obligations.

Whenever an Event of Default shall have occurred and be continuing, the Trustee may (a) declare all amounts payable pursuant to the Note to be immediately due and payable and (b) take whatever action at law or in equity may appear necessary or desirable to collect the amounts then due and thereafter to become due under the Note, or to enforce performance and observance of any obligation, agreement or covenant of the Company under the Agreement.

Any amounts collected pursuant to action taken will be deposited with the Trustee and applied in accordance with the provisions of the Indenture or, if the Bonds have been fully paid (or provision for payment thereof has been made in accordance with the provisions of the Indenture) and all other amounts required under the Indenture have been paid, to the Company.

Amendment of the Agreement

Prior to the payment of the Bonds in full (or provision for the payment thereof having been made in accordance with the provisions of the Indenture), the Agreement may not be terminated and may not be effectively amended, changed or modified except in accordance with the Indenture. See "THE INDENTURES – Amendment of Agreement" herein.

THE INDENTURES

Each Indenture is an entirely separate Indenture although each contains substantially the same terms and provisions as the other Indentures. In the following summary of the terms and provisions of the Indentures, references to the Bonds, the Agreement, the Indenture, the Loan, the Note, the Project, the Trustee and the County are to the Bonds, the Agreement, the Indenture, the Loan, the Note, the Project, the Trustee and the County relating to each issue of Bonds.

Pledge and Security

To secure the payment of its Bonds, the County assigns to the Trustee and grants to the Trustee a security interest in all right, title and interest of the County in, to and under the Note and all payments made and to be made thereunder. As security for the satisfaction of any other obligation assumed by it in connection with the Bonds, the County assigns to the Trustee and grants to the Trustee a security interest in all right, title and interest of the County in, to and under the Agreement and all moneys receivable thereunder, but excluding the rights of the County to indemnification and reimbursement of fees, expenses and expenses of collection.

Payments made by the Company under the Agreement and the Note will be used by the Trustee to make payments of the principal of, premium, if any, and interest on the Bonds. Proceeds from the remarketing of the Bonds are to be deposited with the Trustee in a separate and segregated account. The Trustee will pay the purchase price of tendered Bonds, first from remarketing proceeds on deposit in such separate and segregated account, and second from other moneys, including moneys made available by the Company pursuant to the Note. While any Bonds are outstanding, moneys received by the Trustee for the payment of the principal of and premium, if any, and interest on the Bonds will be used solely for such purpose.

Investment

The moneys held by the Trustee will, as directed by the Company, be invested by the Trustee in any investment permitted by the Indenture.

Defaults

Each of the following events will constitute an "Event of Default" under the Indenture:

(a) Default in the payment of any interest on any Bond outstanding under the Indenture when due and as the same shall become due and payable, which default continues for five days,

(b) Default in the due and punctual payment of principal on any Bond outstanding under the Indenture when due and payable, whether at maturity, upon redemption, or by declaration or otherwise;

(c) Default in the due and punctual payment of the purchase price of any Bond outstanding under the Indenture required to be purchased in accordance with its terms; or

(d) An event of default has occurred and is continuing under the Agreement.

Remedies

Upon the occurrence of an Event of Default, the Trustee may, and upon the written request of the holders of not less than 25% in aggregate principal amount of Bonds then outstanding shall, by notice in writing to the County and the Company, declare the principal of all Bonds then outstanding and the interest accrued thereon immediately due and payable.

If after the principal of the Bonds and the accrued interest thereon have been so declared to be due and payable, all arrears of interest and interest on overdue installments of interest (if lawful) and the principal and premium, if any, on all Bonds then outstanding which shall have become due and payable otherwise than by acceleration and all other sums payable under the Indenture or upon the Bonds, except the principal of, and interest on, the Bonds which by such declaration shall have become due and payable, are paid by the County, and the County also performs all other things in respect of which it may have been in default under the Indenture and pays the reasonable charges of the Trustee, the Bondholders and any trustee appointed under law, including the Trustee's reasonable attorneys' fees, then, and in every such case, the Trustee shall annul such declaration and its consequences, and such annulment shall be binding upon all holders of Bonds; but no such annulment shall extend to or affect any subsequent default or impair any right or remedy consequent thereon.

If an Event of Default occurs and is continuing, subject to the Indenture, the Trustee before or after declaring the principal of the Bonds and the interest accrued thereon immediately due and payable may, and upon

request of the holders of at least 25% in principal amount of the Bonds then outstanding shall, pursue any available remedy by proceeding at law or in equity available to the Trustee under the Agreement or the Note to collect the principal of or interest on the Bonds or to enforce the performance of any provision of the Bonds, the Indenture, the Agreement or the Note. The Trustee, as the assignee of all the right, title and interest of the County in and to the Agreement and the Note, may enforce each and every right granted to the County under the Agreement and the Note. In exercising such rights and the rights given the Trustee under the Indenture, the Trustee shall take such action as, in the judgment of the Trustee applying the standards described in the Indenture, would best serve the interests of the Bondholders. If any Event of Default has occurred and is continuing, the Trustee in its discretion may, and upon the written request of the holders of not less than 25% in principal amount of all Bonds then outstanding and receipt of indemnity to its satisfaction shall, in its own name: (a) by mandamus, or other suit, action or proceeding at law or in equity, enforce all rights of the Bondholders, including the right to require the County to enforce any rights under the Agreement and to require the County to carry out any other provisions of this Indenture for the benefit of the Bondholders and to perform its duties under the Act; (b) bring suit upon the Bonds; (c) by action or suit in equity require the County to account as if it were the trustee of an express trust for the Bondholders; or (d) by action or suit in equity enjoin any acts or things which may be unlawful or in violation of the rights of the Bondholders.

No remedy conferred upon or reserved to the Trustee or to the Bondholders by the terms of the Indenture is intended to be exclusive of any other remedy, but each and every such remedy shall be cumulative and shall be in addition to any other remedy given to the Trustee or to the Bondholders hereunder or now or hereafter existing at law or in equity or by statute. No delay or omission to exercise any right or power accruing upon any default or Event of Default shall impair any such right or power or shall be construed to be a waiver of any such default or Event of Default or acquiescence therein; and every such right and power may be exercised from time to time as often as may be deemed expedient. No waiver of any default or Event of Default under the Indenture, whether by the Trustee or by the Bondholders, shall extend to or shall affect any subsequent default or Event of Default or shall impair any rights or remedies consequent thereon.

Upon the occurrence and continuance of an Event of Default, and upon the filing of a suit or other commencement of judicial proceedings to enforce the rights of the Trustee and of the Bondholders under this Indenture, the Trustee shall be entitled as a matter of right to the appointment of a receiver or receivers of the trust estate with such powers as the court making such appointment shall confer.

In the event of a bankruptcy or reorganization of the Company, the Trustee may file a proof of claim on behalf of all Bondholders with respect to the obligations of the Company pursuant to the Agreement and the Note.

The holders of a majority in principal amount of the Bonds then outstanding by notice to the Trustee may waive an existing Event of Default and its consequences. When an Event of Default is waived, it is cured and stops continuing, but no such waiver shall extend to any subsequent or other Event of Default or impair any right consequent to it. The holders of a majority in principal amount of the Bonds then outstanding may direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or of exercising any trust or power conferred on it. However, the Trustee may refuse to follow any direction that conflicts with law or the Indenture or that the Trustee determines is unduly prejudicial to the rights of other Bondholders, or would involve the Trustee in personal liability.

A Bondholder may not pursue any remedy with respect to the Indenture or the Bonds unless (a) the holder gives the Trustee notice stating that an Event of Default is continuing, (b) the holders of at least 25% in principal amount of the Bonds then outstanding make a written request to the Trustee to pursue the remedy, (c) such holder or holders offer to the Trustee indemnity satisfactory to the Trustee against any loss, liability or expense and (d) the Trustee does not comply with the request within 60 days after receipt of the request and the offer of indemnity.

A Bondholder may not use the Indenture to prejudice the rights of another Bondholder or to obtain a preference or priority over the other Bondholders.

Notwithstanding any other provision of the Indenture, the right of any holder to receive payment of principal of and interest on a Bond, on or after the due dates expressed in the Bond, or the purchase price of a

Bond on or after the date for its purchase as provided in the Bond, or to bring suit for the enforcement of any such payment on or after such dates, shall not be impaired or affected without the consent of the holder.

Defeasance

Any Bond will be deemed paid for all purposes of the Indenture when (a) payment of the principal of and interest on the Bond to the due date of such principal and interest (whether at maturity, upon redemption or otherwise) or the payment of the purchase price either (1) has been made in accordance with the terms of the Bonds or (2) has been provided for by depositing with the Trustee in trust (A) moneys in an amount which are sufficient to make such payment and/or (B) U.S. Government Obligations maturing as to principal and interest in such amounts and at such times as will insure the availability of sufficient moneys to make such payment, and (b) all compensation and reasonable expenses of the Trustee pertaining to each Bond in respect of which such deposit is made have been paid or provided for to the Trustee's satisfaction. When a Bond is deemed paid, it will no longer be secured by or entitled to the benefits of the Indenture or be an obligation of the County and shall be payable solely from the moneys or U.S. Government Obligations described above, except that such Bond may be tendered if and as provided in the Bonds and it may be registered as transferred, exchanged, registered, discharged from registration or replaced as provided in the Indenture. No deposit under clause (a)(2) above shall be deemed a payment of a Bond until (a) notice of redemption of such Bond has been given in accordance with the Indenture or, in the event such Bond is not to be redeemed or paid within the next 60 days, the Company has given the Trustee irrevocable instructions to give, as soon as practicable, a notice to the holders of such Bond that the above deposit has been made with the Trustee and that such Bond is deemed to be paid and stating the maturity or redemption date upon which moneys are to be available to pay the principal of and premium, if any, and interest on such Bond, and, if the Bond is to be redeemed rather than paid, to give notice of redemption not less than 30 nor more than 60 days prior to the redemption date for such Bond or (b) the maturity of the Bond.

"U.S. Government Obligations" means (i) noncallable direct full faith and credit obligations of the United States, (ii) noncallable obligations of a Person controlled or supervised by and acting as an agency or instrumentality of the United States, the timely payment of which is unconditionally guaranteed as full faith and credit obligations of the United States or (iii) securities or receipts evidencing ownership interests in obligations or specified portions (such as principal or interest) of obligations described in (i) or (ii).

The Company is required to furnish an Opinion of Tax Counsel in connection with any deposit referred to above to the effect that such deposit will not cause the Bonds to become "arbitrage bonds" under the hereinafter defined Code.

Amendments and Supplements

The Indenture or the Bonds outstanding thereunder may be amended or supplemented without the consent of or notice to the Bondholders for any of the following purposes: (a) to cure any ambiguity, inconsistency, formal defect or omission in the Indenture; (b) to grant to the Trustee for the benefit of the Bondholders additional rights, remedies, powers or authority; (c) to subject to the Indenture additional collateral or to add other agreements of the County; (d) to modify the Indenture or the Bonds to permit qualification under the Trust Indenture Act of 1939, as amended, or any similar federal statute at the time in effect, or to permit the qualification of the Bonds for sale under the securities laws of any state of the United States; (e) to authorize different authorized denominations of the Bonds and to make correlative amendments and modifications to the Indenture regarding exchangeability of Bonds of different authorized denominations, redemptions of portions of Bonds of particular authorized denominations and similar amendments and modifications of a technical nature; (f) to increase or decrease the number of days specified for the giving of notices and to make corresponding changes to the period for notice of redemption of the Bonds; provided that no decreases in any such number of days shall become effective except while the Bonds bear interest at a Daily Rate or a Weekly Rate and until 30 days after the Trustee has given notice to the owners of the Bonds; (g) to provide for an uncertificated system of registering the Bonds or to provide for the change to or from a book-entry system for the Bonds; (h) to evidence the succession of a new Trustee or the appointment by the Trustee or the County of a co-trustee; or (i) to make any change that does not materially adversely affect the rights of any Bondholder.

Except for supplemental indentures entered into for the purposes described in the preceding paragraph, the Indenture will not be modified or amended without the consent of the holders of at least a majority in

aggregate principal amount of Bonds at the time outstanding thereunder; provided that, without the consent of each Bondholder affected thereby, no amendment or supplement may (a) extend the maturity of the principal of, or interest on, any Bond, (b) reduce the principal amount of, or rate of interest on, any Bond, (c) effect a privilege or priority of any Bond or Bonds over any other Bond or Bonds, (d) reduce the percentage of the principal amount of the Bonds required for consent to such amendment or supplement, (e) impair the exclusion from federal gross income of interest on any Bond, (f) eliminate the holders' rights to tender the Bonds, or any mandatory redemption of the Bonds, extend the due date for the purchase of Bonds tendered by the holders thereof or call for mandatory redemption or reduce the purchase or redemption price of such Bonds, (g) create a lien ranking prior to or on a parity with the lien of the Indenture on the property described in the Granting Clause of the Indenture or (h) deprive any Bondholder of the lien created by the Indenture on such property. In addition, if moneys or U.S. Government Obligations have been deposited or set aside with the Trustee for the payment of Bonds as described under "Defeasance" above and those Bonds shall not have in fact been actually paid in full, no amendment to the defeasance provisions of the Indenture shall be made without the consent of the holder of each of those Bonds affected.

Amendment of Agreement

Without the consent of or notice to the Bondholders, the County may enter into, and the Trustee may consent to, any amendment of or supplement to the Agreement or the Note, or may waive compliance by the Company of any provision of the Agreement or the Note, if the amendment, supplement or waiver is required or permitted (a) by the provisions of the Agreement or the Indenture, (b) to cure any ambiguity, inconsistency or formal defect or omission, (c) to identify more precisely the Project, (d) in connection with any authorized amendment of or supplement to the Indenture or (e) to make any change that does not materially adversely affect the rights of any Bondholder. The County will not enter into, and the Trustee will not consent to, any other amendment or supplement to the Agreement or the Note, or waive compliance by the Company of any provision of the Agreement, without the consent of the holders of at least a majority in aggregate principal amount of the Bonds at the time outstanding; provided that, without the consent of each Bondholder affected thereby, there will not be permitted any amendment or supplement to the Agreement, which, if made to the Indenture, would require the consent of all Bondholders affected thereby.

THE TRUSTEE

The Company maintains deposit accounts and other normal banking relationships with the Trustee and borrows from such bank from time to time.

THE REMARKETING AGREEMENTS

SunTrust Bank, Atlanta has been appointed as the Remarketing Agent for each issue of Bonds. If and to the extent the Company directs the Remarketing Agent to remarket Bonds delivered for purchase pursuant to the Indenture, the Remarketing Agent, pursuant to and subject to the provisions of a separate remarketing agreement with the Company for each issue of Bonds (the "Remarketing Agreement"), will offer for sale and use reasonable efforts to sell such Bonds at a price equal to 100% of the principal amount thereof plus accrued interest, if any, to the purchase date. The Remarketing Agent may resign with respect to any or all issues of Bonds by giving notice to the County, the Company and the Trustee (such resignation will be effective upon the appointment of a successor remarketing agent or 30 days after such notice has been sent) and may suspend remarketing upon the occurrence of certain events. The Company may remove the Remarketing Agent with respect to any or all issues of Bonds at any time upon 30 days' notice and appoint a successor by notifying the Remarketing Agent, the County and the Trustee.

TAX EXEMPTION

The Internal Revenue Code of 1986, as amended (the "Code"), establishes certain requirements which must be met concurrently with, and subsequent to, the issuance of the Bonds, in order that the interest on the Bonds be and remain excludable from gross income under Section 103 of the Code. At the time of issuance and

delivery of the Bonds, the Counties, the Company and the Trustee will make certain representations, certifications and covenants which are intended to evidence and assure that the interest on the Bonds is and will be excludable from gross income for federal income tax purposes. In the event of the inaccuracy of such representations and certifications, or the non-compliance with such covenants, interests on the Bonds may be required to be included in the gross income of the recipients thereof retroactively to the date of issuance of the Bonds.

On the date of issuance and delivery of the Bonds, Balch & Bingham LLP Bond Counsel, will deliver its opinion to the effect that the interest on the Bonds, under existing statutes, regulations and judicial decisions, is excluded from gross income for federal income tax purposes, except for interest on any Bond during any period while it is held by a "substantial user" of a Project or a "related person" as those terms are used in Section 147(a) of the Code. In addition, Bond Counsel's opinion will state that under existing law interest on the Bonds will not be treated as a specific preference item for purposes of computing the federal alternative minimum tax imposed on individuals or corporations, but such interest is taken into account in determining adjusted current earnings in computing the federal alternative minimum tax imposed on certain corporations. In concluding that the interest on the Bonds is excludable from gross income for federal income tax purposes, Bond Counsel will (i) rely as to certain factual matters upon representations of the Company with respect to the use of the proceeds of the Refunded Bonds and the Bonds and the design, scope, function, cost and economic useful life of the Project, without undertaking to verify the same by independent investigation, and (ii) assume the continued compliance by the Counties, the Company and the Trustee with their respective covenants relating to the use of the proceeds of the Bonds and compliance with other requirements of the Code. The inaccuracy of any such representations or noncompliance with such covenants may cause interest on the Bonds to become includable in gross income for federal income tax purposes retroactively to the date of issuance of the Bonds. The opinion of Bond Counsel will not address any other federal tax consequences relating to the Bonds or the interest thereon.

Ownership of the Bonds may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, banks, thrift institutions and other financial institutions, foreign corporations which conduct a trade or business in the United States, property and casualty insurance corporations, S corporations, individual recipients of social security or railroad retirement benefits and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry the Bonds. Purchasers of the Bonds should consult their tax advisors as to the applicability of any such collateral consequences.

Under the provisions of the Code, the Bonds may be deemed to be a single issue of obligations for federal income tax purposes and the exclusion from gross income for federal income tax purposes of the interest on each series of the Bonds may be dependent upon whether the interest on the other series of the Bonds is excluded from gross income for federal income tax purposes.

Although Bond Counsel will deliver its opinion that interest on the Bonds is excluded from gross income for federal income tax purposes, ownership of the Bonds and the accrual or receipt of interest thereon may otherwise affect a Bondholder's federal tax liability. The nature and extent of these other tax consequences will depend upon the Bondholder's particular status under the Code, and the Bondholder's other items of income or deduction. No assurance can be given that future legislation, or clarifications or amendments to the Code, if enacted into law, will not contain provisions which could cause the interest on the Bonds to be subject directly or indirectly to federal income taxation, adversely affect the market price or marketability of the Bonds, or otherwise prevent the Bondholders from realizing the expected economic benefits of the Bonds.

In the opinion of Balch & Bingham LLP, Bond Counsel the Bonds and the interest thereon are, under existing statutes, exempt from all present Florida taxation, except estate taxes and taxes imposed by Chapter 220, Florida Statutes, on interest, income or profits on debt obligations owned by corporations.

SECONDARY MARKET INFORMATION

No financial statements or operating data concerning the Counties are included in this Limited Offering Memorandum and the Counties have not undertaken to provide any such information in the future.

The Company has agreed in the Remarketing Agreement that, prior to the commencement of a Commercial Paper Period or Long-Term Interest Rate Period or at such other time that Rule 15c2-12(b)(5) under the Securities Exchange Act of 1934, as amended, becomes applicable to the Bonds, it will enter into a separate undertaking satisfactory to the Remarketing Agent with respect to the continuing disclosure requirements of such Rule.

PLACEMENT

SunTrust Bank, Atlanta (the "Placement Agent") has been appointed Placement Agent for the initial placement of the Bonds. The Company will pay the Placement Agent a fee for its services in an aggregate amount equal to $81,860.

In connection with this offering and in compliance with applicable law and industry practice, the Placement Agent may over allot or effect transactions which stabilize, maintain or otherwise affect the market price of the Bonds at levels above those which might otherwise prevail in the open market, including by entering stabilizing bids. A stabilizing bid means the placing of any bid, or the effecting of any purchase, for the purpose of pegging, fixing or maintaining the price of a security. In general, purchases of a security for the purpose of stabilization could cause the price of the security to be higher than it might be in the absence of such purchases.

Neither the Counties, the Company nor the Placement Agent makes any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of the Bonds. In addition, neither the Counties, the Company nor the Placement Agent makes any representation that the Placement Agent will engage in such transactions or that such transactions, once commenced, will not be discontinued without notice.

In the ordinary course of its business, SunTrust Bank, Atlanta has engaged, and may in the future engage, in investment banking or commercial banking transactions with the Company and its affiliates.

LEGAL MATTERS

Legal matters incident to the authorization and issuance of the Bonds are subject to the approving opinion of Balch & Bingham LLP, Birmingham, Alabama, as Bond Counsel. Copies of such opinion will be available at the time of delivery of the Bonds. Certain legal matters, other than the validity of the Bonds and the exclusion from gross income for federal income tax purposes of interest thereon, will be passed upon for the Company by its counsel, Beggs & Lane, Pensacola, Florida, and Troutman Sanders LLP, Atlanta, Georgia, and for the Placement Agent by its counsel, Dewey Ballantine, New York, New York. Certain legal matters pertaining to Escambia County will be passed on by Miller, Canfield, Paddock and Stone P.L.C., Pensacola, Florida, and certain legal matters pertaining to Jackson County will be passed on by Baker and Swearingen, Marianna, Florida.

Balch & Bingham LLP was engaged to act as Bond Counsel by the Company and has not represented the Counties. Balch & Bingham LLP represents affiliates of the Company in various legal matters from time to time and is general counsel to the Company's affiliate, Alabama Power Company.

MISCELLANEOUS

Information, including certain financial statements, relating to the business and properties of the Company is contained or incorporated by reference in the Appendix to this Limited Offering Memorandum and is hereby made a part hereof.

The Company has requested that the Counties issue the Bonds for the benefit of the Company. Each County's action in approving the resolution authorizing issuance of the Bonds does not constitute, and should not be construed to imply any approval of the creditworthiness of the Bonds or the ability of the Company to pay the Bonds. Officials of the Counties have not reviewed, and do not assume any responsibility as to the accuracy or

completeness of, the information contained in this Limited Offering Memorandum, other than the information appearing under the caption "THE COUNTIES."

The Limited Offering Memorandum has been duly approved by:

ESCAMBIA COUNTY, FLORIDA

By /s/ Thomas G. Banjanin
Chairman of the Board of County Commissioners
of Escambia County, Florida

JACKSON COUNTY, FLORIDA

By /s/ Chanley W. Carter
Chairman of the Board of County Commissioners
of Jackson County, Florida

APPENDIX

GULF POWER COMPANY

THE INFORMATION CONTAINED HEREIN AS AN APPENDIX TO THE LIMITED OFFERING MEMORANDUM HAS BEEN OBTAINED FROM GULF POWER COMPANY

GULF POWER COMPANY

Gulf Power Company ("GULF") is a wholly-owned subsidiary of The Southern Company, a holding company registered under the Public Utility Holding Company Act of 1935, as amended. GULF was incorporated under the laws of the State of Maine on November 2, 1925 and admitted to do business in Florida on January 15, 1926, in Mississippi on October 25, 1976 and in Georgia on November 20, 1984. GULF is engaged, within the northwestern portion of Florida, in the generation and purchase of electricity and the distribution and sale of such electricity at retail in 71 communities as well as in rural areas, and at wholesale to a nonaffiliated utility and to a municipality. The principal executive offices of GULF are located at 500 Bayfront Parkway, Pensacola, Florida 32501, and the telephone number is (904) 444-6111.

AVAILABLE INFORMATION

GULF is subject to the informational requirements of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and in accordance therewith files reports and other information with the Securities and Exchange Commission (the "SEC"). Such reports and other information can be inspected and copied at the offices of the SEC at Room 1024, Judiciary Plaza, 450 Fifth Street, N.W., Washington, D.C.; 500 West Madison Street, Suite 1400, Chicago, Ill.; and 13th Floor, Seven World Trade Center, New York N.Y. The SEC maintains a Web site that contains reports, proxy and information statements and other information regarding registrants including GULF that file electronically at http://www.sec.gov. Copies of this material can also be obtained at prescribed rates from the Public Reference Section of the SEC at 450 Fifth Street, N.W., Washington, D.C. 20549. Certain securities of GULF are listed on the New York Stock Exchange, and reports and other information concerning GULF can be inspected at the office of such Exchange.

INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE

The following documents, which have heretofore been filed by GULF with the SEC pursuant to the Exchange Act, are incorporated by reference in this Appendix and shall be deemed to be a part hereof:

1. Annual Report on Form 10-K for the year ended December 31, 1996.

2. Quarterly Report on Form 10-Q for the quarter ended March 31, 1997.

3. Current Reports on Form 8-K dated January 27, 1997 and February 12, 1997.

All documents subsequently filed by GULF with the SEC pursuant to Section 13(a), 13(c), 14 or 15(d) of the Exchange Act prior to the termination of the offering hereunder shall be deemed to be incorporated by reference in this Appendix and to be made a part hereof from their respective dates of filing.

GULF hereby undertakes to provide without charge to each person to whom a copy of this Limited Offering Memorandum has been delivered, on the written or oral request of any such person, a copy of any or all of the documents referred to above which have been or may be incorporated by reference in this Appendix, other than exhibits to such documents. Requests for such copies should be directed to W.E. Tate, Secretary and Treasurer, Gulf Power Company, 500 Bayfront Parkway, Pensacola, Florida 32501, (904) 444-6206.

SELECTED INFORMATION

The following material, which is presented herein solely to furnish limited introductory information regarding GULF, has been selected from, or is based upon, the detailed information and financial statements appearing in the documents incorporated herein by reference or elsewhere in this Appendix, is qualified in its entirety by reference thereto and, therefore, should be read together therewith.

Gulf Power Company

Business	Generation, transmission, distribution and sale of electric energy
Service Area	Approximately 7,400 square miles within the northwestern portion of Florida
Service Area Population (1990 Census)	Approximately 740,000
Customers at December 31, 1996	334,832
Generating Capacity at December 31, 1996 (kilowatts)	2,173,900
Sources of Generation during 1996 (kilowatt-hours)	Coal (99%), Oil and Gas (1%)
Sources of Generation Estimated for 1997 (kilowatt-hours)	Coal (99%), Oil and Gas (1%)

Selected Financial Information

	Year Ended December 31,					12 Months Ended May 31, 1997(1)
	1992	1993	1994	1995(1)	1996(1)	Unaudited
	(Thousands, Except Ratios)					
Operating Revenues	$570,902	$583,142	$578,813	$619,077	$634,365	$616,993
Income Before Interest Charges	$98,422	$96,088	$93,407	$92,693	$94,283	$92,588
Net Income After Dividends on Preferred Stock	$54,090	$54,311	$55,229	$57,154	$57,845	$55,424
Ratio of Earnings to Fixed Charges (2)	3.32	3.57	3.89	4.25	4.29	4.07

	Capitalization as of March 31, 1997		
	Actual	As Adjusted (3)	
	(Thousands, Except Percentages)		
Common Stock Equity	$433,598	$433,599	50.2%
Cumulative Preferred Stock	65,102	65,102	7.5
Company Obligated Mandatorily Redeemable Preferred Securities of Subsidiary Trust Holding Company Junior Subordinated Notes	40,000	40,000	4.6
Long-Term Debt	325,022	325,022	37.7
Total, excluding amounts due within one year	$863,722	$863,722	100.0%

(1) See "RECENT RESULTS OF OPERATIONS" herein. "Income Before Interest Charges" and "Net Income After Dividends on Preferred Stock" for the years ended December 31, 1995 and 1996 and the twelve months ended May 31, 1997, reflect charges of approximately $4,700,000, $1,800,000 and $1,300,000, respectively, after taxes relating to benefits provided pursuant to work force reduction programs.

(2) This ratio is computed as follows: (i) "Earnings" have been calculated by adding to "Income Before Interest Charges" all income taxes deducted therefrom and the debt portion of allowance for funds used during construction; and (ii) "Fixed Charges" consist of "Net Interest Charges" plus the debt portion of allowance for funds used during construction.

(3) Reflects GULF's obligations in connection with the Bonds offered hereby and the application of the proceeds of the sale of such Bonds to redeem outstanding pollution control bonds. See "USE OF BOND PROCEEDS; REFUNDING OF OUTSTANDING BONDS" in the Limited Offering Memorandum.

RECENT RESULTS OF OPERATIONS

For the twelve months ended May 31, 1997, "Operating Revenues," "Income Before Interest Charges" and "Net Income After Dividends on Preferred Stock" were $616,993,000, $92,588,000 and $55,424,000, respectively. In the opinion of the management of GULF, the above amounts for the twelve months ended May 31, 1997 reflect all adjustments (which were only normal recurring adjustments) necessary to present fairly the results of operations for such period. The "Ratio of Earnings to Fixed Charges" for the twelve months ended May 31, 1997 was 4.07.

EXHIBIT C.16.

BEGGS & LANE

ATTORNEYS AND COUNSELLORS AT LAW

POST OFFICE BOX 12950

PENSACOLA, FLORIDA 32576-2950

SEVENTH FLOOR BLOUNT BUILDING

3 WEST GARDEN STREET

PENSACOLA, FLORIDA 32501

TELEPHONE (904) 432 2451

TELECOPIER (904) 469 3330

ROBERT P. GAINES
WILLIAM GUY DAVIS, JR.
W. SPENCER MITCHEM
JAMES M. WEBER
ROBERT L. CRONGEYER
JOHN F. WINDHAM
J. NIXON DANIEL, III
G. EDISON HOLLAND, JR.
RALPH A. PETERSON
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JEFFREY A. STONE
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DAVID J. BARBERIE
MARY JANE THIES
JAMES J. CRONGEYER, JR.

E. DIXIE BEGGS
Retired

BERT H. LANE
1917-1981

July 1, 1997

SunTrust Bank, Atlanta
Atlanta, Georgia

Board of County Commissioners
Escambia County, Florida

First Union National Bank, as Trustee

Re: $37,000,000 Escambia County, Florida Pollution Control Revenue Refunding Bonds (Gulf Power Company Project), Series 1997

Ladies and Gentlemen:

In connection with the issuance of Escambia County, Florida (the "County") of $37,000,000 aggregate principal amount of its Pollution Control Revenue Refunding Bonds (Gulf Power Company Project), Series 1997 (the "Bonds") and in connection with (i) the Trust Indenture relating to the Bonds dated as of July 1, 1997 (the "Trust Indenture") between the County and First Union National Bank, as trustee; (ii) the Loan Agreement dated as of July 1, 1997 (the "Agreement") between the County and Gulf Power Company (the "Company"); (iii) the promissory note dated July 1, 1997 (the "Note") in the aggregate principal amount of $37,000,000 issued by the Company pursuant to the Agreement; (iv) the Letter of Representation dated June 30, 1997 (the "Letter of Representation") among the Company, the County and SunTrust Bank, Atlanta; (v) the Remarketing Agreement dated as of July 1, 1997 (the "Remarketing Agreement") between the Company and SunTrust Bank, Atlanta, as remarketing agent, and (vi) the Placement Agreement dated June 30, 1997 (the "Placement Agreement") between Escambia County (the "County") and SunTrust Bank, Atlanta, we have examined, among other things, the documents described in the closing memorandum as having been delivered by the Company at the closing and such other documents and papers as we have deemed relevant to enable us to express the opinions herein set forth. We have not examined the Bonds, except specimens thereof, and are relying upon a certificate of the Trustee under the Indenture respectively, as to the execution and authentication thereof.

We have also examined the Limited Offering Memorandum dated June 30, 1997 relating to the Bonds, including the Appendix thereto (the "Limited Offering Memorandum"), which

incorporates by reference the Annual Report on Form 10-K of the Company for the fiscal year ended December 31, 1996, the Quarterly Report on Form 10-Q of the Company for the quarter ended March 31, 1997 and the Current Reports on Form 8-K of the Company dated January 27, 1997 and February 12, 1997 (the "Exchange Act Documents"), each as filed under the Securities Exchange Act of 1934, as amended (the "Exchange Act").

We are of the opinion, relying as to matters of Georgia law and with respect to all federal securities laws, rules and regulations on the opinion of even date herewith of Troutman Sanders LLP, that:

1. The Company has been duly incorporated and is validly existing and in good standing as a corporation under the laws of the State of Maine, is qualified to carry on its business as a foreign corporation in the States of Florida, Georgia and Mississippi and has due corporate authority to carry on the public utility business in which it is engaged and to own and operate the properties used by it in such business.

2. The Securities and Exchange Commission (the "Commission") and the Florida Public Service Commission have issued appropriate orders with respect to the issuance of the Note and with respect to the execution and delivery of the Agreement, and such orders, to the best of our knowledge, remain in effect; and such orders are sufficient for, and no other order, consent or other authorization or approval of any Florida or United States governmental body (other than in connection or in compliance with the provisions of the securities or "blue sky" laws of any jurisdiction, as to which we express no opinion) is legally required for, the issuance of the Note or the execution and delivery of the Agreement by the Company.

3. The Company had full power and authority to execute the Agreement, the Note, the Remarketing Agreement and the Letter of Representation, and the Agreement, the Note, the Remarketing Agreement and the Letter of Representation have been duly authorized, executed and delivered by the Company and, assuming due authorization, execution and delivery thereof by the other parties thereto, constitute valid and legally binding obligations of the Company enforceable against the Company in accordance with their respective terms, subject to the qualifications that the enforceability of the Company's obligations under the Agreement, the Note, the Remarketing Agreement and the Letter of Representation may be limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws relating to or affecting creditors' rights generally, by general equitable principles (regardless of whether such enforceability is considered in a proceeding in equity or at law) and by any principles of public policy limiting the right to enforce the indemnification provisions contained in the Remarketing Agreement and the Letter of Representation.

4. The statements made in the Limited Offering Memorandum under the captions "The Bonds", "The Agreements" and "The Indentures", insofar as they purport to constitute summaries of the terms of documents referred to therein, constitute accurate summaries of the terms of such documents in all material respects; provided that no opinion is expressed with respect to the information contained under the heading "The

Bonds--Book-Entry System."

5. The execution and delivery of the Agreement, the Note, the Remarketing Agreement and the Letter of Representation by the Company will not result in a breach of or constitute a default under the charter or bylaws of the Company or any indenture, mortgage, deed of trust, agreement or other instrument, of which we have knowledge, to which the Company is a party or by which it or any of its property is bound or any order, rule or regulation applicable to the Company of any court or other governmental body having jurisdiction over the Company or its property.

We have no knowledge of any material litigation or proceedings pending or threatened which challenge the validity of the Note, the Agreement, the Remarketing Agreement or the Letter of Representation, or which seek to enjoin the performance of the Company's obligations thereunder.

We have not independently verified the accuracy, completeness or fairness of the statements made or included in the Limited Offering Memorandum or the Exchange Act Documents and take no responsibility therefor, except as and to the extent set forth in paragraph 4 above. In the course of the preparation by the County and the Company of the Limited Offering Memorandum, we participated in conferences with certain officers and employees of the Company, with representatives of Arthur Andersen LLP, with other counsel for the Company and with Bond Counsel. In addition, in the course of the preparation by the Company of the Exchange Act Documents, we participated in conferences with certain officers and employees of the Company and with representatives of Arthur Andersen LLP. Based upon our examination of the Limited Offering Memorandum and the Exchange Act Documents and our participation in the conferences referred to above, (i) we are of the opinion that the Exchange Act Documents, as of their respective dates of filing with the Commission, complied as to form in all material respects with the requirements of the Exchange Act and the applicable rules and regulations of the Commission thereunder, except that in each case we express no opinion or belief as to the financial statements or other financial or statistical data contained or incorporated by reference in the Exchange Act Documents, and (ii) we have no reason to believe that the Limited Offering Memorandum (including the Exchange Act Documents) contains any untrue statement of a material fact or omits to state any material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading, except that in each case we express no opinion or belief with respect to the financial statements or other financial or statistical data contained or incorporated by reference in the Limited Offering Memorandum or the Exchange Act Documents or with respect to the information in the Limited Offering Memorandum under the captions "The Counties", "The Bonds--Book-Entry System", "Placement" and "Tax Exemption".

We are members of the State Bar of Florida and we do not express any opinion herein concerning any law other than the law of the State of Florida and the federal law of the United States and, to the extent necessary to render the opinions set forth herein, the laws of the States of Georgia, Mississippi and Maine.

This opinion is rendered to you in connection with the above described transaction. This opinion may not be relied upon by you for any other purpose, or relied upon by, or furnished to, any other person, firm or corporation without our prior written consent except that Dewey Ballantine and Troutman Sanders LLP may rely on this opinion in giving their opinions pursuant to Section 6 of the Placement Agreement insofar as such opinions relate to matters of Florida and Mississippi law.

Very truly yours,

Beggs & Lane

BEGGS & LANE

BEGGS & LANE
ATTORNEYS AND COUNSELLORS AT LAW
POST OFFICE BOX 12950
PENSACOLA, FLORIDA 32576-2950

SEVENTH FLOOR BLOUNT BUILDING
3 WEST GARDEN STREET
PENSACOLA, FLORIDA 32501
TELEPHONE (904) 432-2451
TELECOPIER (904) 469-3330

ROBERT P. GAINES
WILLIAM GUY DAVIS, JR.
W. SPENCER MITCHEM
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E. DIXIE BEGGS
Retired
BERT H. LANE
1917-1981

July 1, 1997

SunTrust Bank, Atlanta
Atlanta, Georgia

Board of County Commissioners
Jackson County, Florida

First Union National Bank, as Trustee

Re: $3,930,000 Jackson County, Florida Pollution Control Revenue Refunding Bonds (Gulf Power Company Project), Series 1997

Ladies and Gentlemen:

In connection with the issuance of Jackson County, Florida (the "County") of $3,930,000 aggregate principal amount of its Pollution Control Revenue Refunding Bonds (Gulf Power Company Project), Series 1997 (the "Bonds") and in connection with (i) the Trust Indenture relating to the Bonds dated as of July 1, 1997 (the "Trust Indenture") between the County and First Union National Bank, as trustee; (ii) the Loan Agreement dated as of July 1, 1997 (the "Agreement") between the County and Gulf Power Company (the "Company"); (iii) the promissory note dated July 1, 1997 (the "Note") in the aggregate principal amount of $3,930,000 issued by the Company pursuant to the Agreement; (iv) the Letter of Representation dated June 30, 1997 (the "Letter of Representation") among the Company, the County and SunTrust Bank, Atlanta; (v) the Remarketing Agreement dated as of July 1, 1997 (the "Remarketing Agreement") between the Company and SunTrust Bank, Atlanta, as remarketing agent, and (vi) the Placement Agreement dated June 30, 1997 (the "Placement Agreement") between Jackson County (the "County") and SunTrust Bank, Atlanta, we have examined, among other things, the documents described in the closing memorandum as having been delivered by the Company at the closing and such other documents and papers as we have deemed relevant to enable us to express the opinions herein set forth. We have not examained the Bonds except specimens thereof, and are relying upon a certificate of the Trustee under the Indenture respectively, as to the execution and authentication thereof.

We have also examined the Limited Offering Memorandum dated June 30, 1997 relating to the Bonds, including the Appendix thereto (the "Limited Offering Memorandum"), which

incorporates by reference the Annual Report on Form 10-K of the Company for the fiscal year ended December 31, 1996, the Quarterly Report on Form 10-Q of the Company for the quarter ended March 31, 1997 and the Current Reports on Form 8-K of the Company dated January 27, 1997 and February 12, 1997 (the "Exchange Act Documents"), each as filed under the Securities Exchange Act of 1934, as amended (the "Exchange Act").

We are of the opinion, relying as to matters of Georgia law and with respect to all federal securities laws, rules and regulations on the opinion of even date herewith of Troutman Sanders LLP, that:

1. The Company has been duly incorporated and is validly existing and in good standing as a corporation under the laws of the State of Maine, is qualified to carry on its business as a foreign corporation in the States of Florida, Georgia and Mississippi and has due corporate authority to carry on the public utility business in which it is engaged and to own and operate the properties used by it in such business.

2. The Securities and Exchange Commission (the "Commission") and the Florida Public Service Commission have issued appropriate orders with respect to the issuance of the Note and with respect to the execution and delivery of the Agreement, and such orders, to the best of our knowledge, remain in effect; and such orders are sufficient for and no other order, consent or other authorization or approval of any Florida or United States governmental body (other than in connection or in compliance with the provisions of the securities or "blue sky" laws of any jurisdiction, as to which we express no opinion) is legally required for, the issuance of the Note or the execution and delivery of the Agreement by the Company.

3. The Company had full power and authority to execute the Agreement, the Note, the Remarketing Agreement and the Letter of Representation, and the Agreement, the Note, the Remarketing Agreement and the Letter of Representation have been duly authorized, executed and delivered by the Company and, assuming due authorization, execution and delivery thereof by the other parties thereto, constitute valid and legally binding obligations of the Company enforceable against the Company in accordance with their respective terms, subject to the qualifications that the enforceability of the Company's obligations under the Agreement, the Note, the Remarketing Agreement and the Letter of Representation may be limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws relating to or affecting creditors' rights generally, by general equitable principles (regardless of whether such enforceability is considered in a proceeding in equity or at law) and by any principles of public policy limiting the right to enforce the indemnification provisions contained in the Remarketing Agreement and the Letter of Representation.

4. The statements made in the Limited Offering Memorandum under the captions "The Bonds", "The Agreements" and "The Indentures", insofar as they purport to constitute summaries of the terms of documents referred to therein, constitute accurate summaries of the terms of such documents in all material respects; provided that no opinion is expressed with respect to the information contained under the heading "The

Bonds--Book-Entry System."

5. The execution and delivery of the Agreement, the Note, the Remarketing Agreement and the Letter of Representation by the Company will not result in a breach of or constitute a default under the charter or bylaws of the Company or any indenture, mortgage, deed of trust, agreement or other instrument, of which we have knowledge, to which the Company is a party or by which it or any of its property is bound or any order, rule or regulation applicable to the Company of any court or other governmental body having jurisdiction over the Company or its property.

We have no knowledge of any material litigation or proceedings pending or threatened which challenge the validity of the Note, the Agreement, the Remarketing Agreement or the Letter of Representation, or which seek to enjoin the performance of the Company's obligations thereunder.

We have not independently verified the accuracy, completeness or fairness of the statements made or included in the Limited Offering Memorandum or the Exchange Act Documents and take no responsibility therefor, except as and to the extent set forth in paragraph 4 above. In the course of the preparation by the County and the Company of the Limited Offering Memorandum, we participated in conferences with certain officers and employees of the Company, with representatives of Arthur Andersen LLP, with other counsel for the Company and with Bond Counsel. In addition, in the course of the preparation by the Company of the Exchange Act Documents, we participated in conferences with certain officers and employees of the Company and with representatives of Arthur Andersen LLP. Based upon our examination of the Limited Offering Memorandum and the Exchange Act Documents and our participation in the conferences referred to above, (i) we are of the opinion that the Exchange Act Documents, as of their respective dates of filing with the Commission, complied as to form in all material respects with the requirements of the Exchange Act and the applicable rules and regulations of the Commission thereunder, except that in each case we express no opinion or belief as to the financial statements or other financial or statistical data contained or incorporated by reference in the Exchange Act Documents, and (ii) we have no reason to believe that the Limited Offering Memorandum (including the Exchange Act Documents) contains any untrue statement of a material fact or omits to state any material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading, except that in each case we express no opinion or belief with respect to the financial statements or other financial or statistical data contained or incorporated by reference in the Limited Offering Memorandum or the Exchange Act Documents or with respect to the information in the Limited Offering Memorandum under the captions "The Counties", "The Bonds--Book-Entry System", "Placement" and "Tax Exemption".

We are members of the State Bar of Florida and we do not express any opinion herein concerning any law other than the law of the State of Florida and the federal law of the United States and, to the extent necessary to render the opinions set forth herein, the laws of the States of Georgia, Mississippi and Maine.

This opinion is rendered to you in connection with the above described transaction. This opinion may not be relied upon by you for any other purpose, or relied upon by, or furnished to, any other person, firm or corporation without our prior written consent except that Dewey Ballantine and Troutman Sanders LLP may rely on this opinion in giving their opinions pursuant to Section 6 of the Placement Agreement insofar as such opinions relate to matters of Florida and Mississippi law.

Very truly yours

Beggs & Lane

BEGGS & LANE

EXHIBIT C.17.

TROUTMAN SANDERS LLP

ATTORNEYS AT LAW

600 PEACHTREE STREET, N.E. SUITE 750
ATLANTA, GEORGIA 30308-3964
TELEPHONE 404-885-3651
FACSIMILE 404-885-3652

NATIONSBANK PLAZA
600 PEACHTREE STREET N.E. SUITE 5200
ATLANTA, GEORGIA 30308-2216
TELEPHONE 404 885 3000
FACSIMILE 404 885 3900

1300 I STREET N.W. SUITE 500 EAST
WASHINGTON D.C. 20005-3314
TELEPHONE 202 274 2950
FACSIMILE 202 274 2994

July 1, 1997

SunTrust Bank, Atlanta
Atlanta, Georgia

Board of County Commissioners
Jackson County, Florida

First Union National Bank, as Trustee

Re: $3,930,000 Jackson County, Florida Pollution Control Revenue Refunding Bonds (Gulf Power Company Project), Series 1997

Ladies and Gentlemen:

We have acted as counsel to Gulf Power Company (the "Company") in connection with the placement by SunTrust Bank, Atlanta of $3,930,000 aggregate principal amount of Jackson County, Florida Pollution Control Revenue Refunding Bonds (Gulf Power Company Project), Series 1997 (the "Bonds"), pursuant to the Placement Agreement dated June 30, 1997 (the "Placement Agreement") between Jackson County (the "County") and you.

We have examined (i) the Limited Offering Memorandum dated June 30, 1997 relating to the Bonds, including the Appendix thereto (the "Limited Offering Memorandum"), which incorporates by reference the Annual Report on Form 10-K of the Company for the fiscal year ended December 31, 1996, the Quarterly Report on Form 10-Q of the Company for the quarter ended March 31, 1997 and the Current Reports on Form 8-K of the Company dated January 27, 1997 and February 12, 1997 (the "Exchange Act Documents"), each as filed under the Securities Exchange Act of 1934, as amended (the "Exchange Act"); (ii) the Trust Indenture relating to the Bonds dated as of July 1, 1997 (the "Trust Indenture") between the County and First Union National Bank, as trustee; (iii) the Loan Agreement relating to the Bonds dated as of July 1, 1997 (the "Agreement") between the County and the Company; (iv) the promissory note dated July 1, 1997 (the "Note") in the aggregate principal amount of $3,930,000 issued by the Company pursuant to the Agreement; (v) the Placement Agreement; (vi) the Letter of Representation dated June 30, 1997 (the "Letter of Representation") among the Company, the County and SunTrust Bank, Atlanta; and (vii) the Remarketing Agreement dated as of July 1, 1997 (the "Remarketing

Agreement") between the Company and SunTrust Bank, Atlanta, as remarketing agent. In addition, we have examined, and have relied as to matters of fact upon, the documents delivered at the closing (except the Bonds of which we have examined a specimen), and upon originals or copies, certified or otherwise identified to our satisfaction, of such corporate records, agreements, documents and other instruments and such certificates or comparable documents of public officials and of officers and representatives of the County and the Company, and have made such other and further investigations, as we deemed relevant and necessary as a basis for the opinions hereinafter set forth.

In such examination, we have assumed the genuineness of all signatures, the legal capacity of natural persons, the authenticity of all documents submitted to us as originals, the conformity to original documents of all documents submitted to us as certified or photostatic copies, and the authenticity of the originals of such latter documents.

Based upon the foregoing, and subject to the qualifications and limitations stated herein, we hereby advise you that in our opinion:

1. The Company has been duly incorporated and is validly existing and in good standing as a corporation under the laws of the State of Maine, is qualified to carry on its business as a foreign corporation in the States of Florida, Georgia and Mississippi and has due corporate authority to carry on the public utility business in which it is engaged and to own and operate the properties used by it in such business.

2. The Company had full power and authority to execute the Agreement, the Note, the Remarketing Agreement and the Letter of Representation, and the Agreement, the Note, the Remarketing Agreement and the Letter of Representation have been duly authorized, executed and delivered by the Company and, assuming due authorization, execution and delivery thereof by the other parties thereto, constitute valid and legally binding obligations of the Company enforceable against the Company in accordance with their respective terms, subject to the qualifications that the enforceability of the Company's obligations under the Agreement, the Note, the Remarketing Agreement and the Letter of Representation may be limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws relating to or affecting creditors' rights generally, by general equitable principles (regardless of whether such enforceability is considered in a proceeding in equity or at law) and by any principles of public policy limiting the right to enforce the indemnification provisions contained in the Remarketing Agreement and the Letter of Representation.

3. The statements made in the Limited Offering Memorandum under the captions "The Bonds", "The Agreements" and "The Indentures", insofar as they purport to constitute summaries of the terms of documents referred to therein, constitute accurate summaries of the terms of such documents in all material respects; provided that no opinion is expressed with respect to the information contained under the heading "The Bonds--Book-Entry System."

4. The execution and delivery of the Agreement, the Note, the Remarketing Agreement and the Letter of Representation by the Company will not result in a breach of or constitute a default under the charter or bylaws of the Company or any indenture, mortgage, deed of trust, agreement or other instrument, of which we have knowledge, to which the Company is a party or by which it or any of its property is bound or any order, rule or regulation applicable to the Company of any court or other governmental body having jurisdiction over the Company or its property.

5. The Securities and Exchange Commission (the "Commission") and the Florida Public Service Commission have issued appropriate orders with respect to the issuance of the Note and with respect to the execution and delivery of the Agreement, and such orders, to the best of our knowledge, remain in effect; and such orders are sufficient for, and no other order, consent or other authorization or approval of any Florida or United States governmental body (other than in connection or in compliance with the provisions of the securities or "blue sky" laws of any jurisdiction, as to which we express no opinion) is legally required for, the issuance of the Note or the execution and delivery of the Agreement by the Company.

6. The Bonds are exempted securities within the meaning of Section 3(a)(2) of the Securities Act of 1933, as amended (the "Act"), and it is not necessary in connection with the sale of the Bonds to the public to register the Bonds or the Note under the Act or to qualify the Trust Indenture under the Trust Indenture Act of 1939, as amended.

In rendering this opinion, we have relied upon the opinion rendered to you by Beggs & Lane, general counsel to the Company, to the extent that it relates to matters of conformity to Florida and Mississippi law. With respect ot the opinion expressed in paragraph 6 above, we have relied upon the legal opinion dated the date hereof, rendered to you by Balch & Bingham LLP, Bond Counsel, pursuant to the Placement Agreement, as to the exclusion from gross income for federal income tax purposes of interest on the Bonds and have made no independent investigation with respect to such exclusion.

We have not independently verified the accuracy, completeness or fairness of the statements made or included in the Limited Offering Memorandum or the Exchange Act Documents and take no responsibility therefor, except as and to the extent set forth in paragraph 3 above. In the course of the preparation by the County and the Company of the Limited Offering Memorandum, we participated in conferences with certain officers and employees of the Company, with representatives of Arthur Andersen LLP, with other counsel for the Company and with Bond Counsel. In addition, in the course of the preparation by the Company of the Exchange Act Documents, we participated in conferences with certain officers and employees of the Company and with representatives of Arthur Andersen LLP. Based upon our examination of the Limited Offering Memorandum and the Exchange Act Documents and our participation in the conferences referred to above, (i) we are of the opinion that the Exchange Act Documents, as of their respective dates of filing with the Commission, complied as to form in all material respects with the requirements of the Exchange Act and the applicable rules and regulations of

the Commission thereunder, except that in each case we express no opinion or belief as to the financial statements or other financial or statistical data contained or incorporated by reference in the Exchange Act Documents, and (ii) we have no reason to believe that the Limited Offering Memorandum (including the Exchange Act Documents) contains any untrue statement of a material fact or omits to state any material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading, except that in each case we express no opinion or belief with respect to the financial statements or other financial or statistical data contained or incorporated by reference in the Limited Offering Memorandum or the Exchange Act Documents or with respect to the information in the Limited Offering Memorandum under the captions "The Counties", "The Bonds--Book-Entry System", "Placement" and "Tax Exemption".

We are members of the State Bar of Georgia and we do not express any opinion herein concerning any law other than the law of the State of Georgia and the federal law of the United States and, to the extent necessary to render the opinions set forth herein, the laws of the States of Florida, Mississippi and Maine.

This opinion is rendered to you in connection with the above described transaction. This opinion may not be relied upon by you for any other purpose, or relied upon by, or furnished to, any other person, firm or corporation without our prior written consent except that Dewey Ballantine and Beggs & Lane may rely on this opinion in giving their opinions pursuant to Section 6 of the Placement Agreement insofar as such opinions relate to matters of Georgia law.

Very truly yours,

Troutman Sanders LLP

TROUTMAN SANDERS LLP

TROUTMAN SANDERS LLP
ATTORNEYS AT LAW
A LIMITED LIABILITY PARTNERSHIP

600 PEACHTREE STREET, N.E. SUITE 750
ATLANTA, GEORGIA 30308-2604
TELEPHONE 404-885-3681
FACSIMILE 404-885-3682

NATIONSBANK PLAZA
600 PEACHTREE STREET N.E. SUITE 5200
ATLANTA, GEORGIA 30308-2216
TELEPHONE 404-885-3000
FACSIMILE 404 885 3900

1300 I STREET N.W. SUITE 500 EAST
WASHINGTON D.C. 20005-3314
TELEPHONE 202 274 2950
FACSIMILE 202 274 2994

July 1, 1997

SunTrust Bank, Atlanta
Atlanta, Georgia

Board of County Commissioners
Escambia County, Florida

First Union National Bank, as Trustee

Re: $37,000,000 Escambia County, Florida Pollution Control Revenue Refunding Bonds (Gulf Power Company Project), Series 1997

Ladies and Gentlemen:

We have acted as counsel to Gulf Power Company (the "Company") in connection with the placement by SunTrust Bank, Atlanta of $37,000,000 aggregate principal amount of Escambia County, Florida Pollution Control Revenue Refunding Bonds (Gulf Power Company Project), Series 1997 (the "Bonds"), pursuant to the Placement Agreement dated June 30, 1997 (the "Placement Agreement") between Escambia County (the "County") and you.

We have examined (i) the Limited Offering Memorandum dated June 30, 1997 relating to the Bonds, including the Appendix thereto (the "Limited Offering Memorandum"), which incorporates by reference the Annual Report on Form 10-K of the Company for the fiscal year ended December 31, 1996, the Quarterly Report on Form 10-Q of the Company for the quarter ended March 31, 1997 and the Current Reports on Form 8-K of the Company dated January 27, 1997 and February 12, 1997 (the "Exchange Act Documents"), each as filed under the Securities Exchange Act of 1934, as amended (the "Exchange Act"); (ii) the Trust Indenture relating to the Bonds dated as of July 1, 1997 (the "Trust Indenture") between the County and First Union National Bank, as trustee; (iii) the Loan Agreement relating to the Bonds dated as of July 1, 1997 (the "Agreement") between the County and the Company; (iv) the promissory note dated July 1, 1997 (the "Note") in the aggregate principal amount of $37,000,000 issued by the Company pursuant to the Agreement; (v) the Placement Agreement; (vi) the Letter of Representation dated June 30, 1997 (the "Letter of Representation") among the Company, the County and SunTrust Bank, Atlanta; and (vii) the Remarketing Agreement dated as of July 1, 1997 (the "Remarketing

Agreement") between the Company and SunTrust Bank, Atlanta, as remarketing agent. In addition, we have examined, and have relied as to matters of fact upon, the documents delivered at the closing (except the Bonds of which we have examined a specimen), and upon originals or copies, certified or otherwise identified to our satisfaction, of such corporate records, agreements, documents and other instruments and such certificates or comparable documents of public officials and of officers and representatives of the County and the Company, and have made such other and further investigations, as we deemed relevant and necessary as a basis for the opinions hereinafter set forth.

In such examination, we have assumed the genuineness of all signatures, the legal capacity of natural persons, the authenticity of all documents submitted to us as originals, the conformity to original documents of all documents submitted to us as certified or photostatic copies, and the authenticity of the originals of such latter documents.

Based upon the foregoing, and subject to the qualifications and limitations stated herein, we hereby advise you that in our opinion:

1. The Company has been duly incorporated and is validly existing and in good standing as a corporation under the laws of the State of Maine, is qualified to carry on its business as a foreign corporation in the States of Florida, Georgia and Mississippi and has due corporate authority to carry on the public utility business in which it is engaged and to own and operate the properties used by it in such business.

2. The Company had full power and authority to execute the Agreement, the Note, the Remarketing Agreement and the Letter of Representation, and the Agreement, the Note, the Remarketing Agreement and the Letter of Representation have been duly authorized, executed and delivered by the Company and, assuming due authorization, execution and delivery thereof by the other parties thereto, constitute valid and legally binding obligations of the Company enforceable against the Company in accordance with their respective terms, subject to the qualifications that the enforceability of the Company's obligations under the Agreement, the Note, the Remarketing Agreement and the Letter of Representation may be limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws relating to or affecting creditors' rights generally, by general equitable principles (regardless of whether such enforceability is considered in a proceeding in equity or at law) and by any principles of public policy limiting the right to enforce the indemnification provisions contained in the Remarketing Agreement and the Letter of Representation.

3. The statements made in the Limited Offering Memorandum under the captions "The Bonds", "The Agreements" and "The Indentures", insofar as they purport to constitute summaries of the terms of documents referred to therein, constitute accurate summaries of the terms of such documents in all material respects; provided that no opinion is expressed with respect to the information contained under the heading "The Bonds--Book-Entry System."

4. The execution and delivery of the Agreement, the Note, the Remarketing Agreement and the Letter of Representation by the Company will not result in a breach of or constitute a default under the charter or bylaws of the Company or any indenture, mortgage, deed of trust, agreement or other instrument, of which we have knowledge, to which the Company is a party or by which it or any of its property is bound or any order, rule or regulation applicable to the Company of any court or other governmental body having jurisdiction over the Company or its property.

5. The Securities and Exchange Commission (the "Commission") and the Florida Public Service Commission have issued appropriate orders with respect to the issuance of the Note and with respect to the execution and delivery of the Agreement, and such orders, to the best of our knowledge, remain in effect; and such orders are sufficient for, and no other order, consent or other authorization or approval of any Florida or United States governmental body (other than in connection or in compliance with the provisions of the securities or "blue sky" laws of any jurisdiction, as to which we express no opinion) is legally required for, the issuance of the Note or the execution and delivery of the Agreement by the Company.

6. The Bonds are exempted securities within the meaning of Section 3(a)(2) of the Securities Act of 1933, as amended (the "Act"), and it is not necessary in connection with the sale of the Bonds to the public to register the Bonds or the Note under the Act or to qualify the Trust Indenture under the Trust Indenture Act of 1939, as amended.

In rendering this opinion, we have relied upon the opinion rendered to you by Beggs & Lane, general counsel to the Company, to the extent that it relates to matters of conformity to Florida and Mississippi law. With respect ot the opinion expressed in paragraph 6 above, we have relied upon the legal opinion dated the date hereof, rendered to you by Balch & Bingham LLP, Bond Counsel, pursuant to the Placement Agreement, as to the exclusion from gross income for federal income tax purposes of interest on the Bonds and have made no independent investigation with respect to such exclusion.

We have not independently verified the accuracy, completeness or fairness of the statements made or included in the Limited Offering Memorandum or the Exchange Act Documents and take no responsibility therefor, except as and to the extent set forth in paragraph 3 above. In the course of the preparation by the County and the Company of the Limited Offering Memorandum, we participated in conferences with certain officers and employees of the Company, with representatives of Arthur Andersen LLP, with other counsel for the Company and with Bond Counsel. In addition, in the course of the preparation by the Company of the Exchange Act Documents, we participated in conferences with certain officers and employees of the Company and with representatives of Arthur Andersen LLP. Based upon our examination of the Limited Offering Memorandum and the Exchange Act Documents and our participation in the conferences referred to above, (i) we are of the opinion that the Exchange Act Documents, as of their respective dates of filing with the Commission, complied as to form in all material respects with the requirements of the Exchange Act and the applicable rules and regulations of

the Commission thereunder, except that in each case we express no opinion or belief as to the financial statements or other financial or statistical data contained or incorporated by reference in the Exchange Act Documents, and (ii) we have no reason to believe that the Limited Offering Memorandum (including the Exchange Act Documents) contains any untrue statement of a material fact or omits to state any material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading, except that in each case we express no opinion or belief with respect to the financial statements or other financial or statistical data contained or incorporated by reference in the Limited Offering Memorandum or the Exchange Act Documents or with respect to the information in the Limited Offering Memorandum under the captions "The Counties", "The Bonds--Book-Entry System", "Placement" and "Tax Exemption".

We are members of the State Bar of Georgia and we do not express any opinion herein concerning any law other than the law of the State of Georgia and the federal law of the United States and, to the extent necessary to render the opinions set forth herein, the laws of the States of Florida, Mississippi and Maine.

This opinion is rendered to you in connection with the above described transaction. This opinion may not be relied upon by you for any other purpose, or relied upon by, or furnished to, any other person, firm or corporation without our prior written consent except that Dewey Ballantine and Beggs & Lane may rely on this opinion in giving their opinions pursuant to Section 6 of the Placement Agreement insofar as such opinions relate to matters of Georgia law

Very truly yours,

Troutman Sanders LLP

TROUTMAN SANDERS LLP

TROUTMAN SANDERS LLP
ATTORNEYS AT LAW
A LIMITED LIABILITY PARTNERSHIP

999 PEACHTREE STREET, N.E. SUITE 750
ATLANTA, GEORGIA 30309-3964
TELEPHONE 404-885-3861
FACSIMILE 404-885-3862

NATIONSBANK PLAZA
600 PEACHTREE STREET N.E. SUITE 5200
ATLANTA, GEORGIA 30308-2216
TELEPHONE 404-885-3000
FACSIMILE 404-885-3900

1300 I STREET, N.W. SUITE 500 EAST
WASHINGTON D.C. 20005-3314
TELEPHONE 202 274 2950
FACSIMILE 202 274 2994

July 1, 1997

SunTrust Bank, Atlanta
Atlanta, Georgia

Board of County Commissioners
Jackson County, Florida

First Union National Bank, as Trustee

Re: $3,930,000 Jackson County, Florida Pollution Control Revenue Refunding Bonds (Gulf Power Company Project), Series 1997

Ladies and Gentlemen:

We have acted as counsel to Gulf Power Company (the "Company") in connection with the placement by SunTrust Bank, Atlanta of $3,930,000 aggregate principal amount of Jackson County, Florida Pollution Control Revenue Refunding Bonds (Gulf Power Company Project), Series 1997 (the "Bonds"), pursuant to the Placement Agreement dated June 30, 1997 (the "Placement Agreement") between Jackson County (the "County") and you.

We have examined (i) the Limited Offering Memorandum dated June 30, 1997 relating to the Bonds, including the Appendix thereto (the "Limited Offering Memorandum"), which incorporates by reference the Annual Report on Form 10-K of the Company for the fiscal year ended December 31, 1996, the Quarterly Report on Form 10-Q of the Company for the quarter ended March 31, 1997 and the Current Reports on Form 8-K of the Company dated January 27, 1997 and February 12, 1997 (the "Exchange Act Documents"), each as filed under the Securities Exchange Act of 1934, as amended (the "Exchange Act"); (ii) the Trust Indenture relating to the Bonds dated as of July 1, 1997 (the "Trust Indenture") between the County and First Union National Bank, as trustee; (iii) the Loan Agreement relating to the Bonds dated as of July 1, 1997 (the "Agreement") between the County and the Company; (iv) the promissory note dated July 1, 1997 (the "Note") in the aggregate principal amount of $3,930,000 issued by the Company pursuant to the Agreement; (v) the Placement Agreement; (vi) the Letter of Representation dated June 30, 1997 (the "Letter of Representation") among the Company, the County and SunTrust Bank, Atlanta; and (vii) the Remarketing Agreement dated as of July 1, 1997 (the "Remarketing

Agreement") between the Company and SunTrust Bank, Atlanta, as remarketing agent. In addition, we have examined, and have relied as to matters of fact upon, the documents delivered at the closing (except the Bonds of which we have examined a specimen), and upon originals or copies, certified or otherwise identified to our satisfaction, of such corporate records, agreements, documents and other instruments and such certificates or comparable documents of public officials and of officers and representatives of the County and the Company, and have made such other and further investigations, as we deemed relevant and necessary as a basis for the opinions hereinafter set forth.

In such examination, we have assumed the genuineness of all signatures, the legal capacity of natural persons, the authenticity of all documents submitted to us as originals, the conformity to original documents of all documents submitted to us as certified or photostatic copies, and the authenticity of the originals of such latter documents.

Based upon the foregoing, and subject to the qualifications and limitations stated herein, we hereby advise you that in our opinion:

1. The Company has been duly incorporated and is validly existing and in good standing as a corporation under the laws of the State of Maine, is qualified to carry on its business as a foreign corporation in the States of Florida, Georgia and Mississippi and has due corporate authority to carry on the public utility business in which it is engaged and to own and operate the properties used by it in such business.

2. The Company had full power and authority to execute the Agreement, the Note, the Remarketing Agreement and the Letter of Representation, and the Agreement, the Note, the Remarketing Agreement and the Letter of Representation have been duly authorized, executed and delivered by the Company and, assuming due authorization, execution and delivery thereof by the other parties thereto, constitute valid and legally binding obligations of the Company enforceable against the Company in accordance with their respective terms, subject to the qualifications that the enforceability of the Company's obligations under the Agreement, the Note, the Remarketing Agreement and the Letter of Representation may be limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws relating to or affecting creditors' rights generally, by general equitable principles (regardless of whether such enforceability is considered in a proceeding in equity or at law) and by any principles of public policy limiting the right to enforce the indemnification provisions contained in the Remarketing Agreement and the Letter of Representation.

3. The statements made in the Limited Offering Memorandum under the captions "The Bonds", "The Agreements" and "The Indentures", insofar as they purport to constitute summaries of the terms of documents referred to therein, constitute accurate summaries of the terms of such documents in all material respects; provided that no opinion is expressed with respect to the information contained under the heading "The Bonds--Book-Entry System."

4. The execution and delivery of the Agreement, the Note, the Remarketing Agreement and the Letter of Representation by the Company will not result in a breach of or constitute a default under the charter or bylaws of the Company or any indenture, mortgage, deed of trust, agreement or other instrument, of which we have knowledge, to which the Company is a party or by which it or any of its property is bound or any order, rule or regulation applicable to the Company of any court or other governmental body having jurisdiction over the Company or its property.

5. The Securities and Exchange Commission (the "Commission") and the Florida Public Service Commission have issued appropriate orders with respect to the issuance of the Note and with respect to the execution and delivery of the Agreement, and such orders, to the best of our knowledge, remain in effect; and such orders are sufficient for, and no other order, consent or other authorization or approval of any Florida or United States governmental body (other than in connection or in compliance with the provisions of the securities or "blue sky" laws of any jurisdiction, as to which we express no opinion) is legally required for, the issuance of the Note or the execution and delivery of the Agreement by the Company.

6. The Bonds are exempted securities within the meaning of Section 3(a)(2) of the Securities Act of 1933, as amended (the "Act"), and it is not necessary in connection with the sale of the Bonds to the public to register the Bonds or the Note under the Act or to qualify the Trust Indenture under the Trust Indenture Act of 1939, as amended.

In rendering this opinion, we have relied upon the opinion rendered to you by Beggs & Lane, general counsel to the Company, to the extent that it relates to matters of conformity to Florida and Mississippi law. With respect ot the opinion expressed in paragraph 6 above, we have relied upon the legal opinion dated the date hereof, rendered to you by Balch & Bingham LLP, Bond Counsel, pursuant to the Placement Agreement, as to the exclusion from gross income for federal income tax purposes of interest on the Bonds and have made no independent investigation with respect to such exclusion.

We have not independently verified the accuracy, completeness or fairness of the statements made or included in the Limited Offering Memorandum or the Exchange Act Documents and take no responsibility therefor, except as and to the extent set forth in paragraph 3 above. In the course of the preparation by the County and the Company of the Limited Offering Memorandum, we participated in conferences with certain officers and employees of the Company, with representatives of Arthur Andersen LLP, with other counsel for the Company and with Bond Counsel. In addition, in the course of the preparation by the Company of the Exchange Act Documents, we participated in conferences with certain officers and employees of the Company and with representatives of Arthur Andersen LLP. Based upon our examination of the Limited Offering Memorandum and the Exchange Act Documents and our participation in the conferences referred to above, (i) we are of the opinion that the Exchange Act Documents, as of their respective dates of filing with the Commission, complied as to form in all material respects with the requirements of the Exchange Act and the applicable rules and regulations of

the Commission thereunder, except that in each case we express no opinion or belief as to the financial statements or other financial or statistical data contained or incorporated by reference in the Exchange Act Documents, and (ii) we have no reason to believe that the Limited Offering Memorandum (including the Exchange Act Documents) contains any untrue statement of a material fact or omits to state any material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading, except that in each case we express no opinion or belief with respect to the financial statements or other financial or statistical data contained or incorporated by reference in the Limited Offering Memorandum or the Exchange Act Documents or with respect to the information in the Limited Offering Memorandum under the captions "The Counties", "The Bonds--Book-Entry System", "Placement" and "Tax Exemption".

We are members of the State Bar of Georgia and we do not express any opinion herein concerning any law other than the law of the State of Georgia and the federal law of the United States and, to the extent necessary to render the opinions set forth herein, the laws of the States of Florida, Mississippi and Maine.

This opinion is rendered to you in connection with the above described transaction. This opinion may not be relied upon by you for any other purpose, or relied upon by, or furnished to, any other person, firm or corporation without our prior written consent except that Dewey Ballantine and Beggs & Lane may rely on this opinion in giving their opinions pursuant to Section 6 of the Placement Agreement insofar as such opinions relate to matters of Georgia law.

Very truly yours,

Troutman Sanders LLP

TROUTMAN SANDERS LLP

LAW OFFICES OF
MILLER, CANFIELD, PADDOCK AND STONE, P.L.C.
A PROFESSIONAL LIMITED LIABILITY COMPANY
25 WEST CEDAR STREET, SUITE 500
PENSACOLA, FLORIDA 32501

850/469-1088
TELECOPY 850/432-0677

OF COUNSEL

RICHARD I. LOTT
PATRICIA D. LOTT

ANNA HOLLIDAY BENSON

July 1, 1997

Balch & Bingham, L.L.P.
Birmingham, Alabama

SunTrust Bank, Atlanta
Atlanta, Georgia

Board of County Commissioners
Escambia County, Florida

Re: $37,000,000 Escambia County, Florida Pollution Control Revenue Refunding Bonds (Gulf Power Company Project), Series 1997

Ladies and Gentlemen:

We have acted as counsel to Escambia County, Florida (the "Issuer"), a political subdivision of the State of Florida, in connection with the issuance of the above-referenced bond issue

The Bonds are issued pursuant to the provisions of the Florida Industrial Development Financing Act, being Part II of Chapter 159, Florida Statutes, as amended (the "Act"), and a Resolution authorizing the issuance and sale of the Bonds duly adopted by the Board of County Commissioners of the Issuer on June 24, 1997 (the "Resolution") for the purpose of refinancing certain outstanding obligations of the Issuer incurred to make loans to Gulf Power Company (the "Company") to finance the costs of certain pollution control facilities (the "Project") located in Escambia County, Florida and Bay County, Florida.

As provided in the Act, the Bonds and the premium, if any, and interest thereon, are limited obligations of the Issuer payable solely from the sources hereinafter described and shall never constitute a debt of the Issuer or the State of Florida or any political subdivision or any agency thereof or a pledge of the faith and credit or taxing power of the Issuer or the State of Florida or any political subdivision or any such agency.

The Issuer and the Company have entered into a Loan Agreement (the "Loan Agreement"), dated as of July 1, 1997, which contains, among other things, the terms and conditions of the loan of the proceeds of the Bonds to the Company for the purpose stated above and the repayment of said loan by the Company.

The Bonds are issued under a Trust Indenture (the "Indenture"), dated as of July 1, 1997, from the Issuer to First Union National Bank of Florida, as trustee (the "Trustee"), which sets forth the covenants and undertakings of the Issuer in connection with the Bonds. The capitalized terms used

herein which are not defined in this letter shall have the meanings provided in the Trust Indenture and the Loan Agreement, unless the context hereof expressly requires otherwise.

Based upon the foregoing, we are of the opinion that:

1. The Issuer is a duly constituted political subdivision of the State of Florida, and in good standing under such laws and is authorized to exercise the power under the Act.

2. The Issuer has full legal right, power and authority (i) to adopt the Resolution authorizing the Bonds, (ii) to enter into the Placement Agreement, the Loan Agreement, the DTC Letter and the Indenture, (iii) to issue and deliver the Bonds to the Placement Agent as provided in the Placement Agreement, and (iv) to carry out and consummate all other transactions contemplated by each of the aforesaid documents, and the Issuer has complied with the provisions of the Act in all matter relating to such transaction.

3. The Issuer has duly authorized (i) the execution, delivery and due performance of the Placement Agreement, the Bonds, the Loan Agreement, the DTC Letter and the Indenture, (ii) the execution and delivery of the Limited Offering Memorandum dated June 30, 1997 relating to the Bonds by the Issuer and (iii) the taking of any and all such action as may be required on the part of the Issuer to carry out, give effect to and consummate the transactions contemplated by such instruments.

4. The Indenture, the Loan Agreement, the DTC Letter and the Placement Agreement have been duly authorized, executed and delivered by the Issuer and, assuming the due authorization, execution and delivery by the other respective parties thereto, the Indenture, the Loan Agreement, the DTC Letter and the Placement Agreement constitute valid, legally binding and enforceable obligations of the Issuer, except to the extent that their enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting the enforcement of creditors' rights generally and principles of equity affecting the availability of specific performance or other equitable relief.

5. The Note has been duly assigned to the Trustee.

6. The Resolution has been duly adopted by the Issuer and constitutes the legal, valid and binding act of the Issuer and has not been in any way amended, modified, rescinded or revoked.

7. The adoption of the Resolution, the execution and delivery of the Placement Agreement, the Bonds, the DTC Letter, the Loan Agreement and the Indenture, the acceptance of the Letter of Representation and compliance with the provisions of each of such instruments will not conflict with or constitute a breach of, or default under, any commitment, agreement or other instruments to which the Issuer is a party or by which it is bound, or under any existing law, rule, regulation, ordinance, judgement, order or decree to which the Issuer is subject.

8. To our knowledge, there is no action, suit, proceeding, inquiry or investigation, at law or in equity, or before or by any court, public board or body, pending against or affecting the Issuer, wherein an unfavorable decision, ruling or finding would materially adversely affect the transactions contemplated by the Placement Agreement or the transactions contemplated by the Limited Offering Memorandum, or which in any way would adversely affect the validity of the Resolution or the validity or enforceability of the Bonds, the Indenture, the Loan Agreement or the Placement Agreement.

9. The Issuer has pledged and assigned to the Trustee pursuant to the Indenture all of the Issuer's right and interest in the Loan Agreement (except for certain payments for indemnification and expenses).

10. The Indenture creates a valid security interest in favor of the Trustee in and to such rights and interests and in and to the trust funds created and held by the Trustee under the Indenture. The Issuer has granted no other security interests in and to such rights and interest or in and to the trust funds created and held by the Trustee under the Indenture.

11. The statements in the Limited Offering Memorandum under the caption "The Counties," insofar as they relate to the Issuer purport to constitute summaries of the matters referred to therein, fairly and accurately summarize the matters summarized therein.

Our opinion is limited to matters of Florida law, and we express no opinion on the tax status of the Bonds or the interest thereon. We have not independently verified the accuracy, completeness or fairness of the statements made or included in the Limited Offering Memorandum and take no responsibility therefor, except as and to the extent set forth in paragraph 11 above. We express no opinion as to the title to, or the description of, the Project, or the existence of any liens, charges, or encumbrances on the Project.

It is to be understood that the rights of the holders of the Bonds and the enforceability thereof or of the Indenture or the Loan Agreement may be subject to the valid exercise of the sovereign police powers of the State of Florida and the constitutional powers of the United States of America and to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable and that their enforcement may be subject to the exercise of judicial discretion in accordance with general principles of equity.

Our opinions expressed herein are predicated upon present law, facts and circumstances, and we assume no affirmative obligation to update the opinions expressed herein if such laws, facts or circumstances change after the date hereof. The legal opinions set forth herein are intended for the information solely of the addressees hereof and solely for the purpose of the contemplated transactions described herein, and are not to be relied upon by any other person, or entity, or for any other purpose, or quoted as a whole or in part, or otherwise referred to, in any document, or to be filed with any government or other administrative agency, or other person or entity for any other purpose without our prior written consent.

Very truly yours,

Squire, Sanders & Dempsey L.L.P.

EXHIBIT C.19.

LAW OFFICES OF
BAKER & SWEARINGEN
4431 LAFAYETTE STREET
MARIANNA, FLORIDA 32446

FRANK A. BAKER, P.A.
*BOARD CERTIFIED CIVIL TRIAL
*CERTIFIED CIRCUIT CIVIL MEDIATOR/ARBITRATOR

GLENDA F. SWEARINGEN-COOK, P.A.
*CERTIFIED FAMILY LAW MEDIATOR

TELEPHONE
904-526-1633
904-526-4465

TELECOPIER
904-526-2716

July 1,1997

SunTrust Bank, Atlanta
303 Peachtree Street
Atlanta, GA 30308

Balch & Bingham LLP
P.O. Box 306
Birmingham, AL 35201

Dear Sirs:

I am counsel for Jackson County, Florida (the "County"), and have represented the same in connection with the issuance and sale by the County of $3,930,000 aggregate principal amount of its Pollution Control Revenue Refunding Bonds (Gulf Power Company Project), Series 1997 (the "Bonds") as contemplated in the Placement Agreement between the County and you (the "Placement Agreement"). In connection therewith, I have examined: (i) resolutions of the County adopted on June 19, 1997, (collectively, the "Resolutions"), relating to the issuance and sale of the Bonds, (ii) Trust Indenture, dated as of July 1, 1997 ("the Indenture") between the County and First Union National Bank, Jacksonville, Florida, as Trustee (the "Trustee"), (iii) Loan Agreement dated as of July 1,1997 (the "Agreement") between Gulf Power Company (the"Company") and the County, (iv) the Placement Agreement, and (v) the Blanket Issuer Letter of Representations (the "DTC Letter") from the County to the Depository Trust Company. In addition to the above, I have examined the documents delivered to you by the County at the closing, except the Bonds, of which I have examined a specimen, and I have also relied upon a certificate of the Trustee as to the authentication thereof.

Further, I have reviewed the authority pursuant to which the Bonds are being issued, the Florida Industrial Development Financing Act, which, as amended, appears as Part II of Chapter 159, Florida Statutes, Sections 159.25 to 159.43, inclusive, (the "Act"), and have concluded that the proceedings, documents, and resolutions referred to herein have met the requirements of said Act

Based on the foregoing and my review of such other information, papers and documents as I believe necessary to enable me to render this opinion, I am of the opinion that:

1. The County is a duly constituted political subdivision of the State of Florida and in good standing under such laws, and is authorized to exercise the powers conferred by the Act.

2. The County has full legal right , power and authority (i) to adopt the Resolutions, (ii) to enter into the Placement Agreement, the Agreement, the Indenture, and the DTC Letter, (iii) to issue, sell, and deliver the Bonds as provided in the Placement Agreement, and (iv) to carry out and consummate all other transactions contemplated by each of the aforesaid documents, and the County has complied with the provisions of the Act in all matters relating to such transactions.

3. The County has duly authorized (i) the execution, delivery and due performance of the Placement Agreement, the Bonds, the Agreement, the Indenture, and the DTC Letter, (ii) the execution and delivery of the Limited Offering Memorandum dated June 30, 1997, relating to the Bonds by the County, and (iii) the taking of any and all such action as may be required on the part of the County to carry out, give effect to and consummate the transactions contemplated by such instruments.

4. The Resolutions have been duly adopted by the County and constitute the legal, valid and binding acts of the County and have not been in any way amended, modified, rescinded, or revoked.

5. The Indenture, the Agreement, the DTC Letter and the Placement Agreement have been duly authorized, executed and delivered by the County and, assuming the due authorization, execution and delivery by the other respective parties thereto, the Indenture, the Agreement, the DTC Letter and the Placement Agreement constitute valid, legally binding and enforceable obligations of the County, except to the extent that their enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium, or other similar laws affecting the enforcement of creditors' rights generally and principles of equity affecting the availability of specific performance or other equitable relief.

6. The Note (as defined in the Agreement) has been duly assigned to the Trustee.

7. The adoption of the Resolutions, the execution and delivery of the Placement Agreement, the Bonds, the Agreement, the Indenture, and the DTC Letter, and compliance with the provisions of each of such instruments, will not conflict with or constitute a breach of, or default under, any commitment, agreement, or other instrument to which the County is a party or by which it is bound, or under any existing law, rule, regulation, ordinance, judgment, order to decree to which the County is subject.

8. There is no action, suit, proceeding, inquiry or investigation, at law or in equity, or before or by any court, public board or body, pending against or affecting the County, wherein an unfavorable decision, ruling or finding would materially adversely affect the transactions contemplated by the Placement Agreement or the transactions contemplated by the Limited Offering Memorandum, or which in any way would adversely affect the validity of

the Resolutions or the validity or enforceability of the Bonds, the Indenture, the Agreement or the Placement Agreement.

9. The County has pledged and assigned to the Trustee pursuant to the Indenture all of the County's rights and interest in the Agreement (except for certain payments for indemnification and expenses) including the County's rights and interests in the Subordinate Land Deed of Trust executed by the Company in favor of the County. The Indenture creates a valid security interest in favor of the trust funds created and held by the Trustee under the Indenture, subject to no prior security interest.

10. The statements in the Limited Offering Memorandum under the caption "The Counties", insofar as they relate to the County, fairly and accurately summarize the matters summarized therein.

Very truly yours,

Frank A. Baker, Esq.

FAB:fb\bond.ltr

EXHIBIT C.20.

BALCH & BINGHAM LLP
ATTORNEYS AND COUNSELORS
POST OFFICE BOX 306
BIRMINGHAM ALABAMA 35201
(205) 251-8100

DIRECT DIAL TELEPHONE

WRITER'S OFFICE
(80) SIXTH AVENUE NORTH
SUITE 2600
BIRMINGHAM ALABAMA 35203
FACSIMILE 205 226 8799

July 1, 1997

SunTrust Bank, Atlanta
303 Peachtree Street
Atlanta, Georgia

Board of County Commissioners
Escambia County, Florida

Gulf Power Company
500 Bay Front Parkway
Pensacola, Florida

Ladies and Gentlemen:

We have acted as Bond Counsel in connection with the issuance by Escambia County, Florida ("County") of $37,000,000 aggregate principal amount of its Pollution Control Revenue Refunding Bonds (Gulf Power Company Project) Series 1997 (the "Series 1997 Bonds"). The Series 1997 Bonds are being issued pursuant to the Florida Industrial Development Financial Act, which, as amended, appears as Part II of Chapter 159, Florida Statutes, Sections 159.25 to 159.431, inclusive (the "Act"). The proceeds of the Series 1997 Bonds are to be used for the purpose of providing funds for the redemption of the 1987 Series Bonds (as hereinafter defined) outstanding in the aggregate principal amount of $32,000,000, and the 1992 Series Bonds (as hereinafter defined) outstanding in the aggregate principal amount of $5,000,000. The County has heretofore issued $32,000,000 aggregate principal amount of its Pollution Control Revenue Refunding Bonds (Gulf Power Company Project) Series 1987 (the "1987 Series Bonds") and $5,000,000 aggregate principal amount of its Pollution Control Revenue Refunding Bonds (Gulf Power Company Project) Series 1992 (the "1992 Series Bonds"), to provide funds to refinance a portion of the cost of certain air and water pollution control and solid waste disposal facilities at the Crist Steam Plant in Escambia County, Florida and the Lansing Smith Steam Plant in Bay County, Florida. The Series 1997 Bonds and any additional bonds issued under the Indenture (hereinafter defined) are herein referred to as the "Bonds". The air and water pollution control facilities at the Crist Steam Plant refinanced with the proceeds of the 1992 Series Bonds and the air and water pollution control and solid waste disposal facilities refinanced with the proceeds of the 1987 Series Bonds are referred to herein as the "Projects".

(710 SIXTH AVENUE NORTH
BIRMINGHAM ALABAMA 35203
205) 251-8100

(80) SIXTH AVENUE NORTH
BIRMINGHAM ALABAMA 35203
(205) 251-8100

2 DEXTER AVENUE
MONTGOMERY ALABAMA 36104
(334) 834-6500

204 G '65 AVENUE
HUNTSVILLE ALABAMA 35801
(205) 551-0171

(0) CONNECTICUT AVENUE N.W.
WASHINGTON D.C. 20036
(202) 296-0381

The County has entered into a Loan Agreement, dated as of July 1, 1997 (the "Agreement"), with Gulf Power Company (the "Company") pursuant to which the County will loan the proceeds of the sale of the Bonds to the Company, which loan is to be evidenced by the Company's promissory note (the "Note").

All of the Bonds are issued or are to be issued under and pursuant to a Trust Indenture, dated as of July 1, 1997 (the "Indenture") by and between the County and First Union National Bank, as trustee (said banking corporation and any bank or trust company becoming successor trustee under the Indenture being herein called the "Trustee").

In our capacity as Bond Counsel we have examined such documents, records of the County and other instruments as we deem necessary to enable us to express the opinions set forth below, including original counterparts or certified copies of the Indenture, the Agreement and certain other documents. Our opinions regarding authority and actions by the County are based upon direct inquiries by us, examination of a certified copy of the proceedings of the County relating to the authorization and issuance of the Series 1997 Bonds and an opinion of Miller, Canfield, Paddock and Stone, P.L.C., counsel for the County, of even date herewith as to the authority, procedures and actions of the County in the authorization and issuance of the Series 1997 Bonds.

We have examined the single fully executed and authenticated Series 1997 Bond executed and authenticated on the date hereof.

Based on the foregoing, it is our opinion that:

1. The County is a political subdivision of the State of Florida validly existing under Florida law, with full authority to issue the Bonds, to loan the proceeds of the sale of Bonds to the Company, and to execute, deliver and perform its obligations under the Agreement and the Indenture.

2. The Agreement has been duly authorized, executed and delivered by the County and the Company and constitutes a legal, valid and binding obligation of the County in accordance with its terms.

3. The Indenture has been duly authorized, executed and delivered by the County and the Trustee and constitutes a legal, valid and binding obligation of the County in accordance with its terms.

4. By the terms of the Indenture, the County's right in the Agreement and in all revenues and receipts received or to be received thereunder (except for rights to indemnification) have been effectively assigned to the Trustee as security for the Bonds, and the Indenture creates a valid security interest in favor of the Trustee in and to such rights.

5. The issuance and sale of the Series 1997 Bonds have been duly authorized by the County; the Series 1997 Bonds have been duly executed and delivered by the County and authenticated by the Trustee; and the Series 1997 Bonds are legal, valid and binding limited obligations of the County, payable in accordance with their terms solely from the funds held for such purpose under the Indenture and entitled to the benefit and security of the Indenture.

6. Under the Act, the Series 1997 Bonds and the interest thereon are exempt from all present Florida taxation, except estate taxes and taxes imposed by Chapter 220, Florida Statutes, on interest, income or profits on debt obligations owned by corporations.

7. The interest on the Series 1997 Bonds is excluded from gross income for federal income tax purposes, except for the interest on any Series 1997 Bond during any period while it is held by a "substantial user" of the Projects or a "related person" within the meaning of section 147(a) of the Internal Revenue Code of 1986, as amended (the "Code"). Interest on the Series 1997 Bonds will not be treated as a specific preference item for purposes of calculating the federal alternative minimum tax imposed on individuals or corporations, but such interest will be includable in adjusted current earnings in computing the federal alternative minimum tax imposed on certain corporations. The opinion set forth in the first sentence of this paragraph is rendered in reliance upon certain certifications and representations of the County, the Trustee and the Company made at the time of issuance of the Series 1997 Bonds, and is subject to the condition that the County, the Trustee and the Company comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Series 1997 Bonds in order that interest thereon be and continue to be excluded from gross income for federal income tax purposes. Failure to comply with such requirements could cause the interest on the Series 1997 Bonds to be included in gross income retroactively to the date of issuance. The County, the Trustee and the Company have covenanted to comply with such requirements. We express no opinion regarding other federal tax consequences arising with respect to the Series 1997 Bonds.

The obligations of the parties with respect to the documents described above are subject, in part, to the provisions of the Federal Bankruptcy Code and any applicable bankruptcy, insolvency, reorganization, moratorium or similar law relating to or affecting the enforcement of creditor's rights now or hereafter in effect. Such o' ligations are also subject to equity principles which may limit the specific enforcement of certain remedies, but which do not affect the validity of such documents and do not make inadequate other remedies available to the holders of the Bonds for the enforcement of such obligations.

Respectfully submitted,

Balch & Bingham LLP

BALCH & BINGHAM LLP
ATTORNEYS AND COUNSELORS
POST OFFICE BOX 306
BIRMINGHAM, ALABAMA 35201
(205) 251-8100

DIRECT DIAL TELEPHONE

WRITER'S OFFICE
1901 SIXTH AVENUE NORTH
SUITE 2600
BIRMINGHAM, ALABAMA 35203
FACSIMILE (205) 226-8799

July 1, 1997

SunTrust Bank, Atlanta
303 Peachtree Street
Atlanta, Georgia

Board of County Commissioners
Jackson County, Florida

Gulf Power Company
500 Bay Front Parkway
Pensacola, Florida

Ladies and Gentlemen:

We have acted as Bond Counsel in connection with the issuance by Jackson County, Florida ("County") of $3,930,000 aggregate principal amount of its Pollution Control Revenue Refunding Bonds (Gulf Power Company Project) Series 1997 (the "Series 1997 Bonds"). The Series 1997 Bonds are being issued pursuant to the Florida Industrial Development Financial Act, which, as amended, appears as Part II of Chapter 159, Florida Statutes, Sections 159.25 to 159.431, inclusive (the "Act"). The proceeds of the Series 1997 Bonds are to be used for the purpose of providing funds for the redemption of the 1992 Series Bonds (as hereinafter defined) outstanding in the aggregate principal amount of $3,930,000. The County has heretofore issued $3,930,000 aggregate principal amount of its Pollution Control Revenue Refunding Bonds (Gulf Power Company Project) Series 1992 (the "1992 Series Bonds"), to provide funds to refinance a portion of the cost of certain air and water pollution control facilities at the Scholz Steam Plant in Jackson County, Florida. The Series 1997 Bonds and any additional bonds issued under the Indenture (hereinafter defined) are herein referred to as the "Bonds". The air and water pollution control facilities at the Scholz Steam Plant refinanced with the proceeds of the 1992 Series Bonds are referred to herein as the "Project".

The County has entered into a Loan Agreement, dated as of July 1, 1997 (the "Agreement"), with Gulf Power Company (the "Company") pursuant to which the County will loan the proceeds of the sale of the Bonds to the Company, which loan is to be evidenced by the Company's promissory note (the "Note").

All of the Bonds are issued or are to be issued under and pursuant to a Trust Indenture, dated as of July 1, 1997 (the "Indenture") by and between the County and First Union National

1710 SIXTH AVENUE NORTH
BIRMINGHAM, ALABAMA 35203
(205) 251-8100

1901 SIXTH AVENUE NORTH
BIRMINGHAM, ALABAMA 35203
(205) 251-8100

2 DEXTER AVENUE
MONTGOMERY, ALABAMA 36104
(334) 834-6500

200 GATES AVENUE
HUNTSVILLE, ALABAMA 35801
(205) 551-[illegible]

1000 CONNECTICUT AVENUE, N.W.
WASHINGTON, D.C. 20036
(202) 296-0381

Bank, as trustee (said banking corporation and any bank or trust company becoming successor trustee under the Indenture being herein called the "Trustee").

In our capacity as Bond Counsel we have examined such documents, records of the County and other instruments as we deem necessary to enable us to express the opinions set forth below, including original counterparts or certified copies of the Indenture, the Agreement and certain other documents. Our opinions regarding authority and actions by the County are based upon direct inquiries by us, examination of a certified copy of the proceedings of the County relating to the authorization and issuance of the Series 1997 Bonds and an opinion of Baker & Swearingen, counsel for the County, of even date herewith as to the authority, procedures and actions of the County in the authorization and issuance of the Series 1997 Bonds.

We have examined the single fully executed and authenticated Series 1997 Bond executed and authenticated on the date hereof.

Based on the foregoing, it is our opinion that:

1. The County is a political subdivision of the State of Florida validly existing under Florida law, with full authority to issue the Bonds, to loan the proceeds of the sale of Bonds to the Company, and to execute, deliver and perform its obligations under the Agreement and the Indenture.

2. The Agreement has been duly authorized, executed and delivered by the County and the Company and constitutes a legal, valid and binding obligation of the County in accordance with its terms.

3. The Indenture has been duly authorized, executed and delivered by the County and the Trustee and constitutes a legal, valid and binding obligation of the County in accordance with its terms.

4. By the terms of the Indenture, the County's right in the Agreement and in all revenues and receipts received or to be received thereunder (except for rights to indemnification) have been effectively assigned to the Trustee as security for the Bonds, and the Indenture creates a valid security interest in favor of the Trustee in and to such rights, subject to no prior security interest.

5. The issuance and sale of the Series 1997 Bonds have been duly authorized by the County; the Series 1997 Bonds have been duly executed and delivered by the County and authenticated by the Trustee; and the Series 1997 Bonds are legal, valid and binding limited obligations of the County, payable in accordance with their terms solely from the funds held for such purpose under the Indenture and entitled to the benefit and security of the Indenture.

6. Under the Act, the Series 1997 Bonds and the interest thereon are exempt from all present Florida taxation, except estate taxes and taxes imposed by Chapter 220, Florida Statutes, on interest, income or profits on debt obligations owned by corporations.

7. The interest on the Series 1997 Bonds is excluded from gross income for federal income tax purposes, except for the interest on any Series 1997 Bond during any period while it is held by a "substantial user" of the Project or a "related person" within the meaning of section 147(a) of the Internal Revenue Code of 1986, as amended (the "Code"). Interest on the Series 1997 Bonds will not be treated as a specific preference item for purposes of calculating the federal alternative minimum tax imposed on individuals or corporations, but such interest will be includable in adjusted current earnings in computing the federal alternative minimum tax imposed on certain corporations. The opinion set forth in the first sentence of this paragraph is rendered in reliance upon certain certifications and representations of the County, the Trustee and the Company made at the time of issuance of the Series 1997 Bonds, and is subject to the condition that the County, the Trustee and the Company comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Series 1997 Bonds in order that interest thereon be and continue to be excluded from gross income for federal income tax purposes. Failure to comply with such requirements could cause the interest on the Series 1997 Bonds to be included in gross income retroactively to the date of issuance. The County, the Trustee and the Company have covenanted to comply with such requirements. We express no opinion regarding other federal tax consequences arising with respect to the Series 1997 Bonds.

The obligations of the parties with respect to the documents described above are subject, in part, to the provisions of the Federal Bankruptcy Code and any applicable bankruptcy, insolvency, reorganization, moratorium or similar law relating to or affecting the enforcement of creditor's rights now or hereafter in effect. Such obligations are also subject to equity principles which may limit the specific enforcement of certain remedies, but which do not affect the validity of such documents and do not make inadequate other remedies available to the holders of the Bonds for the enforcement of such obligations.

Respectfully submitted,

Balch & Bingham LLP

DEWEY BALLANTINE

EXHIBIT C.21.

1301 AVENUE OF THE AMERICAS
NEW YORK 10019-6092
TELEPHONE 212 259-8000 FACSIMILE 212 259-6333

July 1, 1997

SunTrust Bank, Atlanta
Atlanta, Georgia

Re: $37,000,000 Escambia County, Florida Pollution Control Revenue Refunding Bonds (Gulf Power Company Project), Series 1997

Ladies and Gentlemen:

We have acted as your counsel in connection with the placement by you of $37,000,000 aggregate principal amount of Escambia County, Florida Pollution Control Revenue Refunding Bonds (Gulf Power Company Project), Series 1997 (the "Bonds"), pursuant to the Placement Agreement dated June 30, 1997 (the "Placement Agreement") between you and Escambia County, Florida (the "County").

We have examined (i) the Limited Offering Memorandum dated June 30, 1997 relating to the Bonds, including the Appendix thereto (the "Limited Offering Memorandum"), which incorporates by reference the Annual Report on Form 10-K of Gulf Power Company (the "Company") for the fiscal year ended December 31, 1996, the Quarterly Report on Form 10-Q of the Company for the quarter ended March 31, 1997, and the Current Reports on Form 8-K of the Company dated January 27, 1997 and February 12, 1997 (the "Exchange Act Documents"); (ii) the Trust Indenture relating to the Bonds, dated as of July 1, 1997 (the "Indenture") between the County and First Union National Bank, as trustee (the "Trustee"); (iii) the Loan Agreement, dated as of July 1, 1997 (the "Agreement") between the Company and the County, (iv) the promissory note dated July 1, 1997 (the "Note") in the aggregate principal amount of $37,000,000 issued by the Company pursuant to the Agreement; (v) the Placement Agreement; (vi) the Letter of Representation dated June 30, 1997 (the "Letter of Representation") among the Company, the County and you; and (vii) the Remarketing Agreement, dated as of July 1, 1997 (the "Remarketing Agreement") between the Company and you, as remarketing agent. In addition, we have examined, and have relied as to matters of fact upon, the documents delivered to us at the closing (except the Bonds of which we have examined a specimen), and upon originals or copies, certified or otherwise identified to our satisfaction, of such corporate records, agreements, documents and other instruments and such certificates or comparable documents of public officials and of officers and representatives of the County and the Company, and have made such other and further investigations, as we deemed relevant and necessary as a basis for the opinions hereinafter set forth.

In such examination, we have assumed the genuineness of all signatures, the legal capacity of natural persons, the authenticity of all documents submitted to us as originals, the conformity to original documents of all documents submitted to us as certified or photostatic copies, and the authenticity of the originals of such latter documents.

We understand that included among the opinions you are receiving concurrently herewith is an opinion of Beggs & Lane, general counsel to the Company, and Troutman Sanders LLP, counsel for the Company. In rendering this opinion, we have, with your consent, relied on said opinions of Beggs and Lane and Troutman Sanders LLP to the extent that they relate to matters of conformity to Florida, Mississippi and Georgia law. With respect to the opinion expressed in paragraph (5) below, we have, with your consent, relied on an opinion of even date herewith rendered by Balch & Bingham LLP in its capacity as Bond Counsel, to the effect, among other things, that interest on the Bonds, to the extent set forth in such opinion, is excluded from gross income for federal income tax purposes.

Based on the foregoing, and subject to the qualifications and limitations stated herein, we are of the opinion that:

1. The Company is a corporation duly organized and existing under the laws of the State of Maine, is duly qualified to carry on its business as a foreign corporation in the States of Florida, Georgia and Mississippi and has due corporate authority to carry on the public utility business in which it is engaged and to own and operate the properties used by it in such business.

2. All orders, consents or other authorizations or approvals of the Florida Public Service Commission and the Securities and Exchange Commission (the "Commission") legally required for the issuance of the Note and with respect to the authorization, execution and delivery of the Agreement by the Company have been obtained; and no other order, consent or other authorization or approval of any Florida or United States governmental body (other than in connection or in compliance with the provisions of the securities or "blue sky" laws of any jurisdiction, as to which we express no opinion) is legally required for the issuance of the Note or the authorization, execution and delivery of the Agreement by the Company.

3. The Agreement, the Remarketing Agreement, the Letter of Representation and the Note have been duly authorized, executed and delivered by the Company and constitute valid and legally binding obligations of the Company enforceable against the Company in accordance with their respective terms, subject to the qualifications that the enforceability of the Company's obligations under the Agreement, the Remarketing Agreement, the Letter of Representation and the Note may be limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws relating to or affecting creditors' rights generally, by general equitable principles (regardless of whether such enforceability is considered in a proceeding in equity or at law) and by any principles of public policy affecting the right to enforce the indemnification provisions contained in the Remarketing Agreement and the Letter of Representation.

4. The statements made in the Limited Offering Memorandum under the captions "The Bonds", "The Agreements" and "The Indentures", insofar as they purport to constitute summaries of the terms of documents referred to therein, constitute accurate summaries of the terms of such documents in all material respects; provided that no opinion is expressed with respect to the information contained under the heading "The Bonds-Book-Entry System."

5. The Bonds are exempted securities within the meaning of Section 3(a)(2) of the Securities Act of 1933, as amended (the "Act"), and it is not necessary in connection with the sale of the Bonds to the public to register the Bonds or the Note under the Act or to qualify the Indenture under the Trust Indenture Act of 1939, as amended.

We have not independently verified the accuracy, completeness or fairness of the statements made or included in the Limited Offering Memorandum or the Exchange Act Documents and take no responsibility therefor, except as and to the extent set forth in paragraph 4 above. In the course of the preparation by the County and the Company of the Limited Offering Memorandum, we participated in conferences with certain officers and employees of the Company, with representatives of Arthur Andersen LLP, with counsel for the Company and with Bond Counsel. In addition, in the course of the preparation by the Company of the Exchange Act Documents, we participated in conferences with certain officers and employees of the Company, with representatives of Arthur Andersen LLP and with counsel for the Company. Based upon our examination of the Limited Offering Memorandum and the Exchange Act Documents and our participation in the conferences referred to above, (i) we are of the opinion that the Exchange Act Documents, as of their respective dates of filing with the Commission, complied as to form in all material respects with the requirements of the Exchange Act and the applicable rules and regulations of the Commission thereunder, except that in each case we express no opinion or belief as to the financial statements or other financial or statistical data contained or incorporated by reference in the Exchange Act Documents, and (ii) we have no

reason to believe that the Limited Offering Memorandum (including the Exchange Act Documents) contains any untrue statement of a material fact or omits to state any material fact necessary in order to make the statements therein, in the light of circumstances under which they were made, not misleading, except that in each case we express no opinion or belief with respect to the financial statements or other financial or statistical data contained or incorporated by reference in the Limited Offering Memorandum or the Exchange Act Documents or with respect to the information in the Limited Offering Memorandum under the captions "The Counties", "The Bonds-Book-Entry System", "Placement" and "Tax Exemption".

Very truly yours,

Dewey Ballantine

DEWEY BALLANTINE

1301 AVENUE OF THE AMERICAS
NEW YORK 10019-6092
TELEPHONE 212 259-8000 FACSIMILE 212 259-6333

July 1, 1997

SunTrust Bank, Atlanta
Atlanta, Georgia

Re: $3,930,000 Jackson County, Florida Pollution Control Revenue Refunding Bonds (Gulf Power Company Project), Series 1997

Ladies and Gentlemen:

We have acted as your counsel in connection with the placement by you of $3,930,000 aggregate principal amount of Jackson County, Florida Pollution Control Revenue Refunding Bonds (Gulf Power Company Project), Series 1997 (the "Bonds"), pursuant to the Placement Agreement dated June 30, 1997 (the "Placement Agreement") between you and Jackson, County, Florida (the "County")

We have examined (i) the Limited Offering Memorandum dated June 30, 1997 relating to the Bonds, including the Appendix thereto (the "Limited Offering Memorandum"), which incorporates by reference the Annual Report on Form 10-K of Gulf Power Company (the "Company") for the fiscal year ended December 31, 1996, the Quarterly Report on Form 10-Q of the Company for the quarter ended March 31, 1997, and the Current Reports on Form 8-K of the Company dated January 27, 1997 and February 12, 1997 (the "Exchange Act Documents"); (ii) the Trust Indenture relating to the Bonds, dated as of July 1, 1997 (the "Indenture") between the County and First Union National Bank, as trustee (the "Trustee"), (iii) the Loan Agreement, dated as of July 1, 1997 (the "Agreement") between the Company and the County, (iv) the promissory note dated July 1, 1997 (the "Note") in the aggregate principal amount of $3,930,000 issued by the Company pursuant to the Agreement; (v) the Placement Agreement; (vi) the Letter of Representation dated June 30, 1997 (the "Letter of Representation") among the Company, the County and you; and (vii) the Remarketing Agreement, dated as of July 1, 1997 (the "Remarketing Agreement") between the Company and you, as remarketing agent. In addition, we have examined, and have relied as to matters of fact upon, the documents delivered to us at the closing (except the Bonds of which we have examined a specimen), and upon originals or copies, certified or otherwise identified to our satisfaction, of such corporate records, agreements, documents and other instruments and such certificates or comparable documents of public officials and of officers and representatives of the County and the Company, and have made such other and further investigations, as we deemed relevant and necessary as a basis for the opinions hereinafter set forth.

In such examination, we have assumed the genuineness of all signatures, the legal capacity of natural persons, the authenticity of all documents submitted to us as originals, the conformity to original documents of all documents submitted to us as certified or photostatic copies, and the authenticity of the originals of such latter documents.

We understand that included among the opinions you are receiving concurrently herewith is an opinion of Beggs & Lane, general counsel to the Company, and Troutman Sanders LLP, counsel for the Company. In rendering this opinion, we have, with your consent, relied on said opinions of Beggs and Lane and Troutman Sanders LLP to the extent that they relate to matters of conformity to Florida, Mississippi and Georgia law. With respect to the opinion expressed in paragraph (5) below, we have, with your consent, relied on an opinion of even date herewith rendered by Balch & Bingham LLP in its capacity as Bond Counsel, to the effect, among other things, that interest on the Bonds, to the extent set forth in such opinion, is excluded from gross income for federal income tax purposes.

Based on the foregoing, and subject to the qualifications and limitations stated herein, we are of the opinion that:

1. The Company is a corporation duly organized and existing under the laws of the State of Maine, is duly qualified to carry on its business as a foreign corporation in the States of Florida, Georgia and Mississippi and has due corporate authority to carry on the public utility business in which it is engaged and to own and operate the properties used by it in such business.

2. All orders, consents or other authorizations or approvals of the Florida Public Service Commission and the Securities and Exchange Commission (the "Commission"), legally required for the issuance of the Note and with respect to the authorization, execution and delivery of the Agreement by the Company have been obtained; and no other order, consent or other authorization or approval of any Florida or United States governmental body (other than in connection or in compliance with the provisions of the securities or "blue sky" laws of any jurisdiction, as to which we express no opinion) is legally required for the issuance of the Note or the authorization, execution and delivery of the Agreement by the Company.

3. The Agreement, the Remarketing Agreement, the Letter of Representation and the Note have been duly authorized, executed and delivered by the Company and constitute valid and legally binding obligations of the Company enforceable against the Company in accordance with their respective terms, subject to the qualifications that the enforceability of the Company's obligations under the Agreement, the Remarketing Agreement, the Letter of Representation and the Note may be limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws relating to or affecting creditors' rights generally, by general equitable principles (regardless of whether such enforceability is considered in a proceeding in equity or at law) and by any principles of public policy affecting the right to enforce the indemnification provisions contained in the Remarketing Agreement and the Letter of Representation.

4. The statements made in the Limited Offering Memorandum under the captions "The Bonds", "The Agreements" and "The Indentures", insofar as they purport to constitute summaries of the terms of documents referred to therein, constitute accurate summaries of the terms of such documents in all material respects; provided that no opinion is expressed with respect to the information contained under the heading "The Bonds-Book-Entry System."

5. The Bonds are exempted securities within the meaning of Section 3(a)(2) of the Securities Act of 1933, as amended (the "Act"), and it is not necessary in connection with the sale of the Bonds to the public to register the Bonds or the Note under the Act or to qualify the Indenture under the Trust Indenture Act of 1939, as amended.

We have not independently verified the accuracy, completeness or fairness of the statements made or included in the Limited Offering Memorandum or the Exchange Act Documents and take no responsibility therefor, except as and to the extent set forth in paragraph 4 above. In the course of the preparation by the County and the Company of the Limited Offering Memorandum, we participated in conferences with certain officers and employees of the Company, with representatives of Arthur Andersen LLP, with counsel for the Company and with Bond Counsel. In addition, in the course of the preparation by the Company of the Exchange Act Documents, we participated in conferences with certain officers and employees of the Company, with representatives of Arthur Andersen LLP and with counsel for the Company. Based upon our examination of the Limited Offering Memorandum and the Exchange Act Documents and our participation in the conferences referred to above, (i) we are of the opinion that the Exchange Act Documents, as of their respective dates of filing with the Commission, complied as to form in all material respects with the requirements of the Exchange Act and the applicable rules and regulations of the Commission thereunder, except that in each case we express no opinion or belief as to the financial statements or other financial or statistical data contained or incorporated by reference in the Exchange Act Documents, and (ii) we have no reason to believe that the Limited Offering Memorandum (including the Exchange Act Documents) contains any untrue statement of a material fact or omits to state any material fact necessary in order to make the statements therein, in the light of circumstances under which they were made, not misleading, except that in each case we express no opinion or belief with respect to the financial statements or other financial or statistical data contained or incorporated by reference in the Limited Offering Memorandum or the Exchange Act Documents or with respect to the information in the Limited Offering Memorandum under the captions "The Counties", "The Bonds-Book-Entry System", "Placement" and "Tax Exemption".

Very truly yours,

Dewey Ballantine

EXHIBIT C.22.

File No 70-8949

SECURITIES AND EXCHANGE COMMISSION
Washington, D C 20549

FORM U-1

APPLICATION OR DECLARATION
under
The Public Utility Holding Company Act of 1935

GULF POWER COMPANY
500 Bayfront Parkway
Pensacola Florida 32501

(Name of company or companies filing this statement
and addresses of principal executive offices)

THE SOUTHERN COMPANY

(Name of top registered holding company parent of each applicant or declarant)

Warren E. Tate
Secretary and Treasurer
Gulf Power Company
500 Bayfront Parkway
Pensacola, Florida 32501

(Names and addresses of agents for service)

The Commission is requested to mail signed copies of all orders, notices and communications to the above agents for service and to:

W. L. Westbrook
Financial Vice President
The Southern Company
270 Peachtree Street, N.W.
Atlanta, Georgia 30303

John D. McLanahan, Esq
Troutman Sanders LLP
600 Peachtree Street, N E
Suite 5200
Atlanta, Georgia 30308-2216

INFORMATION REQUIRED

Item 1. Description of Proposed Transactions

1 1 Gulf Power Company ("Gulf") is a wholly-owned subsidiary of The Southern Company ("Southern"), a registered holding company under the Public Utility Holding Act of 1935, as amended (the "Act")

Gulf proposes to incur, from time to time or at any time on or before December 31, 2003, obligations in connection with the issuance and sale by public instrumentalities of one or more series of pollution control revenue bonds in an aggregate principal amount of up to $200 000 000

Gulf further proposes to issue and sell, from time to time or at any time on or before December 31, 2003, one or more series of its first mortgage bonds and one or more series of its preferred stock in an aggregate amount of up to $400 000,000 in any combination of issuance

1 2 Each issue of the proposed pollution control revenue bonds will be issued for the financing or refinancing of the costs of certain air and water pollution control facilities and sewage and solid waste disposal facilities at one or more of Gulf's electric generating plants or other facilities located in various counties It is proposed that each such county or the otherwise appropriate public body or instrumentality (the "County") will issue its revenue bonds (the "Revenue Bonds") to finance or refinance the costs of the acquisition, construction, installation and equipping of said facilities at the plant or other facility located in its jurisdiction (the "Project") Each County is authorized by relevant state law to issue its Revenue Bonds for such purposes

While the actual amount of Revenue Bonds to be issued by each County has not yet been determined, such amount will be based upon the cost of refunding outstanding bonds or the cost of the Project located in its jurisdiction

Gulf proposes to enter into a Loan or Installment Sale Agreement with the County, substantially in the form of Exhibit B-1 hereto, relating to each issue of the Revenue Bonds (the "Agreement") Under the Agreement, the County will loan to Gulf the proceeds of the sale of the County's Revenue Bonds, and Gulf may issue a non-negotiable promissory note therefor (the "Note"), or the County will undertake to purchase and sell the related Project to Gulf The installment sale structure may be used because it is required by applicable state law or to the extent it affords transactional advantages to Gulf Such proceeds will be deposited with a Trustee (the "Trustee") under an indenture to be entered into between the County and such Trustee (the "Trust Indenture"), pursuant to which such Revenue Bonds are to be issued and secured, and will be applied by Gulf to payment of the Cost of Construction (as defined in the Agreement) of the Project or to refund outstanding pollution control revenue obligations.

The Note or the Agreement will provide for payments to be made by Gulf at times and in amounts which shall correspond to the payments with respect to the principal of, premium, if any, and interest on the related Revenue Bonds whenever and in whatever manner the same shall become due, whether at stated maturity, upon redemption or declaration or otherwise.

The Agreement will provide for the assignment to the Trustee of the County's interest in, and of the moneys receivable by the County under, the Agreement and the Note.

The Agreement will also obligate Gulf to pay the fees and charges of the Trustee and may provide that Gulf may at any time, so long as it is not in default thereunder, prepay the amount due under the Agreement or the Note, including interest thereon, in whole or in part, such payment to be sufficient to redeem or purchase outstanding Revenue Bonds in the manner and to the extent provided in the Trust Indenture.

The Trust Indenture will provide that the Revenue Bonds issued thereunder will be redeemable (i) at any time on or after a specified date from the date of issuance, in whole or in part, at the option of Gulf, and may require the payment of a premium at a specified percentage of the principal amount which may decline annually thereafter, and (ii) in whole, at the option of Gulf, in certain other cases of undue burdens or excessive liabilities imposed with respect to the related Project, its destruction or damage beyond practicable or desirable repairability or condemnation or taking by eminent domain, or if operation of the related facility is enjoined and Gulf determines to discontinue operation thereof, such redemption of all such outstanding Revenue Bonds to be at the principal amount thereof plus accrued interest, but without premium. It is proposed that the Revenue Bonds will mature not more than 40 years from the first day of the month in which they are initially issued and may, if it is deemed advisable for purposes of the marketability of the Revenue Bonds, be entitled to the benefit of a mandatory redemption sinking fund calculated to retire a portion of the aggregate principal amount of the Revenue Bonds prior to maturity.

The Trust Indenture and the Agreement may give the holders of the Revenue Bonds the right, during such time as the Revenue Bonds bear interest at a fluctuating rate or otherwise, to require Gulf to purchase the Revenue Bonds from time

to time, and arrangements may be made for the remarketing of any such Revenue Bonds through a remarketing agent Gulf also may be required to purchase the Revenue Bonds, or the Revenue Bonds may be subject to mandatory redemption at any time if the interest thereon is determined to be subject to federal income tax Also in the event of taxability, interest on the Revenue Bonds may be effectively converted to a higher variable or fixed rate, and Gulf also may be required to indemnify the bondholders against any other additions to interest, penalties, and additions to tax, such terms are not considered to constitute the issuance of a separate security under Sections 6(a) and 7 of the Act, but rather possible additional terms of the Revenue Bonds and Gulf's obligations with respect thereto

In order to obtain the benefit of ratings for the Revenue Bonds equivalent to the rating of Gulf's first mortgage bonds outstanding under the indenture dated as of September 1, 1941 between Gulf and The Chase Manhattan Bank, as trustee, as supplemented and amended (the "Mortgage") which ratings Gulf has been advised may be thus attained, Gulf may determine to secure its obligations under the Note and the related Agreement by delivering to the Trustee, to be held as collateral, a series of its first mortgage bonds (the "Collateral Bonds") in principal amount either (i) equal to the principal amount of the Revenue Bonds or (ii) equal to the sum of such principal amount of the Revenue Bonds plus interest payments thereon for a specified period. Such series of Collateral Bonds will be issued under an indenture supplemental to the Mortgage (the "Supplemental Indenture"), will mature on the maturity date of such Revenue Bonds and will be non-transferable by the Trustee. The Collateral Bonds, in the case of clause (i) above, would bear interest at a rate or rates equal to the interest

rate or rates to be borne by the related Revenue Bonds and, in the case of clause (ii) above, would be non-interest bearing

The Supplemental Indenture will provide, however, that the obligation of Gulf to make payments with respect to the Collateral Bonds will be satisfied to the extent that payments are made under the Note or the Agreement sufficient to meet payments when due in respect of the related Revenue Bonds The Supplemental Indenture will provide that, upon acceleration by the Trustee of the principal amount of all related outstanding Revenue Bonds under the Trust Indenture, the Trustee may demand the mandatory redemption of the related Collateral Bonds then held by it as collateral at a redemption price equal to the principal amount thereof plus accrued interest, if any, to the date fixed for redemption The Supplemental Indenture may also provide that, upon the optional redemption of the Revenue Bonds, in whole or in part a related principal amount of the Collateral Bonds will be redeemed at the redemption price of the Revenue Bonds.

In the case of interest bearing Collateral Bonds, because interest accrues in respect of such Collateral Bonds until satisfied by payments under the Note or the Agreement, "annual interest charges" in respect of such Collateral Bonds will be included in computing the "interest earnings requirement" of the Mortgage which restricts the amount of first mortgage bonds which may be issued and sold to the public in relation to Gulf's net earnings. In the case of non-interest bearing Collateral Bonds, since no interest would accrue in respect of such Collateral Bonds, the "interest earnings requirement" would be unaffected.

The Trust Indenture will provide that, upon deposit with the Trustee of funds sufficient to pay or redeem all or any part of the related Revenue Bonds, or upon

direction to the Trustee by Gulf to so apply funds available therefor, or upon delivery of such outstanding Revenue Bonds to the Trustee by or for the account of Gulf, the Trustee will be obligated to deliver to Gulf the Collateral Bonds then held as collateral in an aggregate principal amount as they relate to the aggregate principal amount of such Revenue Bonds for the payment or redemption of which such funds have been deposited or applied or which shall have been so delivered

As an alternative to or in conjunction with Gulf's securing its obligations through the issuance of the Collateral Bonds as above described, Gulf may cause an irrevocable Letter of Credit or other credit facility (the "Letter of Credit") of a bank or other financial institution (the "Bank") to be delivered to the Trustee The Letter of Credit would be an irrevocable obligation of the Bank to pay to the Trustee, upon request, up to an amount necessary in order to pay principal of and accrued interest on the Revenue Bonds when due. Pursuant to a separate agreement with the Bank, Gulf would agree to pay to the Bank, on demand or pursuant to a borrowing under such agreement, all amounts that are drawn under the Letter of Credit, as well as certain fees and expenses Such delivery of the Letter of Credit to the Trustee would obtain for the Revenue Bonds the benefit of a rating equivalent to the credit rating of the Bank In the event that the Letter of Credit is delivered to the Trustee as an alternative to the issuance of the Collateral Bonds, Gulf may also convey to the County a subordinated security interest in the Project or other property of Gulf as further security for Gulf's obligations under the Agreement and the Note Such subordinated security interest would be assigned by the County to the Trustee.

As a further alternative to, or in conjunction with, securing its obligations under the Agreement and Note as above described, and in order to obtain a "AAA"

rating for the Revenue Bonds by one or more nationally recognized securities rating services, Gulf may cause an insurance company to issue a policy of insurance guaranteeing the payment when due of the principal of and interest on such series of the Revenue Bonds Such insurance policy would extend for the term of the related Revenue Bonds and would be non-cancelable by the insurance company for any reason Gulf's payment of the premium with respect to said insurance policy could be in various forms, including a non-refundable, one-time insurance premium paid at the time the policies are issued, and/or an additional interest percentage to be paid to said insurer in correlation with regular interest payments In addition, Gulf may be obligated to make payments of certain specified amounts into separate escrow funds and to increase the amounts on deposit in such funds under certain circumstances The amount in each escrow fund would be payable to the insurance company as indemnity for any amounts paid pursuant to the related insurance policy in respect of principal of or interest on the related Revenue Bonds In the event that an insurance policy is issued as an alternative to the issuance of the Collateral Bonds, Gulf may also convey to the County a subordinated security interest in the Project or other property of Gulf as further security for Gulf's obligations under the Agreement and the Note. Such subordinated security interest would be assigned by the County to the Trustee

If, due to insufficiency of coverages or for other reasons, Gulf is unable or determines not to issue the Collateral Bonds or to deliver the Letter of Credit to the Trustee as above described or to cause an insurance policy to be issued, the Revenue Bonds would be issued without the benefit of such security In that event Gulf may convey to the County a subordinated security interest in the Project or other property of Gulf as security for its obligations under the Agreement and the Note Such

subordinated security interest would be assigned by the County to the Trustee. Gulf also may guarantee the payment of the principal of, premium, if any, and interest on the Revenue Bonds.

It is contemplated that the Revenue Bonds will be sold by the County pursuant to arrangements with one or more purchasers, placement agents or underwriters. In accordance with applicable state laws, the interest rate to be borne by the Revenue Bonds will be approved by the County and will be either a fixed rate, which fixed rate may be convertible to a rate which will fluctuate in accordance with a specified prime or base rate or rates or may be determined pursuant to certain remarketing or auction procedures, or a fluctuating rate, which fluctuating rate may be convertible to a fixed rate. While Gulf may not be party to the purchase, placement or underwriting arrangements for the Revenue Bonds, such arrangements will provide that the terms of the Revenue Bonds and their sale by the County shall be satisfactory to Gulf. Bond Counsel will issue an opinion that, based upon existing law, interest on the Revenue Bonds will generally be excludable from gross income for federal income tax purposes. Gulf has been advised that the interest rates on obligations, the interest on which is tax exempt, recently have been and can be expected at the time of issue of the Revenue Bonds to be approximately one to three percentage points lower than the rates on obligations of like tenor and comparable quality, interest on which is fully subject to federal income taxation.

Gulf also proposes that it may enter into arrangements providing for the delayed or future delivery of Revenue Bonds to one or more purchasers or underwriters. The obligations of the purchasers or underwriters to purchase Revenue

Bonds under any such arrangements may be secured by U S Treasury securities, letters of credit or other collateral

The effective cost to Gulf of any series of the Revenue Bonds will not exceed the yield on U S Treasury securities having a maturity comparable to that of such series of Revenue Bonds Such effective cost will reflect the applicable interest rate or rates and any underwriters' discount or commission

The premium (if any) payable upon the redemption of any Revenue Bonds at the option of Gulf will not exceed the greater of (i) 5% of the principal amount of the Revenue Bonds so to be redeemed or (ii) a percentage of such principal amount equal to the rate of interest per annum borne by such Revenue Bonds

The purchase price payable by or on behalf of Gulf in respect of Revenue Bonds tendered for purchase at the option of the holders thereof will not exceed 100% of the principal amount thereof, plus accrued interest to the purchase date

Any Letter of Credit issued as security for the payment of Revenue Bonds will be issued pursuant to a Reimbursement Agreement between Gulf and the financial institution issuing such Letter of Credit. Pursuant to the Reimbursement Agreement, Gulf will agree to pay or cause to be paid to the financial institution, on each date that any amount is drawn under such institution's Letter of Credit, an amount equal to the amount of such drawing, whether by cash or by means of a borrowing from such institution pursuant to the Reimbursement Agreement. Any such borrowing may have a term of up to 10 years and will bear interest at the lending institution's prevailing rate offered to corporate borrowers of similar quality which will not exceed (i) the London Interbank Offered Rate plus up to 2%, (ii) the lending institution's certificate of deposit

rate plus up to 1-3/4%, or (iii) a rate not to exceed the prime rate plus 1%, to be established by agreement with the lending institution prior to the borrowing

1 3 If any part of said $400,000,000 is used to issue Gulf's first mortgage bonds (the "new Bonds"), it is proposed that each series of new Bonds will have a term of not more than 40 years and will be sold for the best price obtainable but for a price to Gulf of not less than 98% nor more than 101-3/4% of the principal amount thereof, plus accrued interest (if any)

The new Bonds will be issued under the Mortgage as heretofore supplemented by various indentures supplemental thereto, and as to be further supplemented by a Supplemental Indenture providing for each series of the new Bonds to be issued.

Gulf may provide that none of the new Bonds of any series will be redeemed for a five-year or other period commencing on or about the first day of the month of issuance at a regular redemption price if such redemption is for the purpose or in anticipation of refunding such new Bonds through the use, directly or indirectly, of funds borrowed by Gulf at an effective interest cost to Gulf (computed in accordance with generally accepted financial practice) of less than the effective interest cost to Gulf of the new Bonds of such series Such limitation will not apply to redemptions at a special redemption price by operation of the improvement fund or the replacement provisions of the Mortgage or by the use of proceeds of released property

Gulf may covenant that it will not redeem the new Bonds of any series, in any year prior to the fifth or other specified year after the issuance of such series, through the operation of the improvement fund provisions of the Mortgage in a principal amount which would exceed 1% of the initial aggregate principal amount of such series

Gulf also may covenant that it will not, in any calendar year, redeem the new Bonds of any series through the operation of the replacement provisions of the Mortgage in a principal amount which would exceed 1% of the initial aggregate principal amount of such series

In addition, Gulf may make provision for a mandatory cash sinking fund for the benefit of any series of the new Bonds In connection therewith, Gulf may have the non-cumulative option in any year of making an optional sinking fund payment in an amount not exceeding such mandatory sinking fund payment

In order to enhance the marketability of the new Bonds, it may be desirable to cause an insurance company to issue a policy of insurance for the payment when due of the new Bonds of a particular series It also may be desirable that the terms of the new Bonds, or any series thereof, provide for an adjustable interest rate thereon to be determined on a periodic basis, rather than a fixed interest rate In such event, it is proposed that the rate of interest on such new Bonds for an initial period would be a fixed rate per annum Periodically thereafter, the interest rate would be adjusted by periodic auction or remarketing procedures, or in accordance with a formula or formulae based upon certain reference rates, or by other predetermined methods

In connection with any such adjustable rate issue, it is proposed that such series of the new Bonds may not be redeemable at the option of Gulf during certain short-term interest periods. It is further proposed that the non-refunding limitation described above, as well as the restriction on redemptions through operation of the improvement fund provisions, may apply with respect to each long-term interest period commencing with the first day of the month in which any such interest period begins To the extent the foregoing redemption provisions may constitute a deviation from the

Commission's Statement of Policy Regarding First Mortgage Bonds. Gulf hereby requests approval of such deviation

Gulf desires the flexibility, in connection with the issuance of the new Bonds of any series, to deviate from the provisions of the Statement of Policy Regarding First Mortgage Bonds with respect to (i) redemption and refunding provisions by, for example, providing refunding limitations for periods of more than five years or prohibiting redemptions for specified periods of time (including as long as the life of any series of the new Bonds), and (ii) limitations on payment of common stock dividends by, for example, including a less restrictive provision or no such provision in the supplemental indenture relating to a particular series, all as determined in light of market conditions and other relevant considerations at the time of issuance

1.4 If any part of said $400,000,000 is used in connection with the issuance of Gulf's preferred stock, par or stated value of up to $100 per share (the "new Preferred Stock"), it is proposed that such securities will be sold for the best price obtainable (after giving effect to the purchasers' compensation) but for a price to Gulf (before giving effect to such purchasers' compensation) of not less than 100% of the par or stated value per share.

The authorized number of shares of preferred stock of Gulf may be increased by amendment to the Articles of Incorporation of Gulf and the new Preferred Stock of each series will be created, and its terms established, by resolution of the board of directors of Gulf which when filed with the Secretary of State of the State of Maine will constitute an amendment to the charter of Gulf Gulf may make provision for a cumulative sinking fund for the benefit of a particular series of the new Preferred Stock which would retire a certain number of shares of such series annually,

commencing at a specified date after the sale In connection therewith, Gulf may have the non-cumulative option of redeeming up to an additional like number of shares of such series annually

Gulf may provide that no share of a particular series of the new Preferred Stock will be redeemed for a five-year or other period commencing on or about the first day of the month of issuance, if such redemption is for the purpose or in anticipation of refunding such share directly or indirectly through the incurring of debt, or through the issuance of stock ranking equally with or prior to the new Preferred Stock as to dividends or assets, if such debt has an effective interest cost to Gulf (computed in accordance with generally accepted financial practice) or such stock has an effective dividend cost to Gulf (so computed) of less than the effective dividend cost to Gulf of the respective series of the new Preferred Stock

Gulf may determine that, in light of the current market conditions at the time any series of the new Preferred Stock is offered, it is in the best interest of Gulf and its investors and consumers that the terms of such new Preferred Stock provide for an adjustable dividend rate thereon to be determined on a periodic basis, rather than a fixed rate dividend. In such event, it is proposed that the rate of dividends on such new Preferred Stock for an initial period would be a fixed amount or rate per annum Periodically thereafter, the rate would be adjusted by periodic auction or remarketing procedures, or in accordance with a formula or formulae based upon certain reference rates, or by other predetermined methods.

In connection with any such adjustable rate issue, it is proposed that such series of the new Preferred Stock may be redeemable at the option of Gulf only on dividend payment dates. T he extent that such provision would constitute a deviation

from the Commission's Statement of Policy Regarding Preferred Stock. Gulf hereby requests approval for such deviation

Gulf also proposes that, in connection with any issuance of new Preferred Stock, it may deviate from the provisions of the Statement of Policy Regarding Preferred Stock with respect to redemptions and refunding provisions by, for example, providing refunding limitations for periods of more than five years or prohibiting redemptions for specified periods of time, as to be determined in light of market conditions and other relevant considerations at the time of issuance

1 5 Gulf may determine to use the proceeds from the sale of the Revenue Bonds, the new Bonds and the new Preferred Stock to redeem or otherwise retire its outstanding first mortgage bonds, pollution control bonds and/or preferred stock if such use is considered advisable Such outstanding first mortgage bonds, pollution control bonds and/or preferred stock retired or redeemed by Gulf may be purchased on the open market or by tender offer as authorized by HCAR No 35-25751, dated February 26, 1993, or pursuant to subsequent authorization To the extent that the redemption or other retirement of outstanding preferred stock using the proceeds from security sales as proposed herein may require authorization under Section 12(c) of the Act, Gulf hereby requests such authorization. Gulf also proposes that it may use the proceeds from the sale of the new Bonds and new Preferred Stock, along with other funds, to pay a portion of its cash requirements to carry on its electric utility business

Gulf will not use the proceeds from securities sales proposed herein to refund outstanding securities unless the estimated present value savings derived from the net difference between interest or dividend payments on a y securities to be issued for refunding purposes and the specific securities to be refunded is, on an after-tax

basis, greater than the present value of all redemption and issuing costs, assuming an appropriate discount rate. Such discount rate is based on the estimated after-tax interest or dividend rate on the securities issued for refunding purposes

1 6 Pursuant to orders of the Commission, Gulf has authority to issue and sell $265,500,000 of first mortgage bonds and/or preferred stock (of which, $30,000,000 of first mortgage bonds and $35,000,000 of preferred stock have been sold) and $200,000,000 of pollution control revenue bonds (of which, the record was completed and a supplemental order has been issued relating to $83,153,000) as set forth in Commission File No 70-8229 (HCAR No 35-25894 dated September 27, 1993, HCAR No 35-25945, dated December 15, 1993, HCAR No 35-26132, dated September 26, 1994 and HCAR No 35-26478, dated February 23, 1996) Gulf hereby requests that the authority described in the above-mentioned orders remain in effect until December 31, 1996 or until such time as the order with respect to the matters requested herein is issued.

Item 2. Fees, Commissions and Expenses

The fees and expenses to be paid or incurred by Gulf, directly or indirectly, in connection with each issuance of Collateral Bonds (as distinguished from and excluding fees, commissions and expenses incurred or to be incurred in connection with the sale of Revenue Bonds by a County and in connection with the determination of the tax status of the Revenue Bonds) are as follows:

Fee of counsel for Gulf	$ 40,000
Fee of accountants, Arthur Andersen LLP	25,000
Fee of trustee, including counsel	25,000
Services of Southern Company Services, Inc.	25,000
Miscellaneous, including telephone charges and traveling expenses	5,000
TOTAL	$120,000

Fees and expenses incurred or to be incurred by Gulf in connection with the issuance and sale of the new Bonds and the new Preferred Stock are as follows

	New Bonds		New Preferred Stock	
	Initial Sale	Each Additional Sale	Initial Sale	Each Additional Sale
Florida Documentary Stamp Tax	$ 893,000	$ —	$ —	$ —
Florida intangible personal property tax	40,000	—	—	—
Filing fees - Securities and Exchange Commission - Registration statement	79,688	—	—	—
Charges of Trustee (including counsel)	30,000	30,000	—	—
Charges of Transfer Agent and Registrar	—	—	5,000	5,000
Cost of definitive bond and stock certificates	5,000	5,000	5,000	5,000
Printing and preparation of registration statement, prospectus, etc	30,000	18,000	20,000	15,000
Rating fees –				
Moody's Investors Service Inc	15,000	15,000	15,000	15,000
Standard & Poor's Corporation	21,000	12,000	12,000	12,000
Services of Southern Company Services, Inc	30,000	15,000	30,000	15,000
Fees of counsel –				
Beggs & Lane	10,000	10,000	10,000	10,000
Troutman Sanders LLP	30,000	20,000	30,000	20,000
Fee of accountants, Arthur Andersen LLP	28,000	22,000	28,000	22,000
Miscellaneous, including telephone charges and traveling expenses	5,812	5,500	4,000	3,000
Total	$1,217,500	$152,500	$159,000	$122,000

Item 3. Applicable Statutory Provisions

Gulf considers that the issuance of the Notes and Collateral Bonds is subject to Sections 6(a), 7 and 12(c) of the Act and Rule 42 thereunder.

Gulf further considers that the sale or granting of subordinated security interests in the Projects or other property of Gulf, as set forth under Item 1 2 above, may be subject to Section 12(d) of the Act, and that the exception afforded by subparagraph (b)(3) of Rule 44 thereunder may be applicable.

Gulf considers that any guarantee of payment of the Revenue Bonds may be subject to Sections 6(a) and 7 of the Act.

Gulf considers that Sections 9(a) and 10 of the Act may be applicable to any purchase of Revenue Bonds by Gulf as described herein and to the extent that the

transactions contemplated herein in connection with the Revenue Bonds involve an Installment Sale Agreement or Agreements pursuant to which the County undertakes to sell the related Project to Gulf

Gulf considers that the issuance and sale of new Bonds and new Preferred Stock are subject to the provisions of Sections 6(a) and 7 of the Act

Gulf considers that the acquisition, retirement or redemption of new Bonds and new Preferred Stock in connection with any sinking fund provisions with respect thereto (including any optional redemptions included as part of such sinking fund provisions) may be subject to Section 12(c) of the Act and Rule 42 thereunder, except to the extent excepted from the requirements of Rule 42(a) by subsections (b)(2) and (b)(4) of such Rule.

Gulf proposes that it may deviate from the Statements of Policy Regarding First Mortgage Bonds and Preferred Stock as described in Items 1 3 and 1 4 hereof

The proposed transactions will be carried out in accordance with the procedure specified in Rule 23 and pursuant to an order or orders of the Commission in respect thereto

Rule 54 Analysis. The proposed transactions are also subject to Rule 54, which provides that, in determining whether to approve an application which does not relate to any "exempt wholesale generator" ("EWG") or "foreign utility company" ("FUCO"), the Commission shall not consider the effect of the capitalization or earnings of any such EWG or FUCO which is a subsidiary of a registered holding company if the requirements of Rule 53(a), (b) and (c) are satisfied.

Southern currently meets all of the conditions of Rule 53(a) At September 30, 1996, Southern's "aggregate investment," as defined in Rule 53(a)(1), in EWGs and

FUCOs was approximately $889 5 million, or about 25% of Southern's "consolidated retained earnings," also as defined in Rule 53(a)(1), for the four quarters ended June 30, 1996 ($3 523 billion) In addition, Southern has complied and will continue to comply with the record-keeping requirements of Rule 53(a)(2), the limitation under Rule 53(a)(3) on the use of Operating Company personnel to render services to EWGs and FUCOs, and the requirements of Rule 53(a)(4) concerning the submission of copies of certain filings under the Act to retail rate regulatory commissions Accordingly, since the requirements of Rule 53(a) are currently met and none of the circumstances described in Rule 53(b) has occurred, the provisions of Rule 53(c) are currently inapplicable

Moreover, even if the effect of the capitalization and earnings of EWGs and FUCOs in which Southern has an ownership interest upon the Southern holding company system were considered, there is no basis for the Commission to withhold or deny approval for the proposal made in this Application-Declaration The action requested in the instant filing (*viz* approval for certain financing transactions by Gulf) would not, by itself, or even considered in conjunction with the effect of the capitalization and earnings of Southern's EWGs and FUCOs, have a material adverse effect on the financial integrity of the Southern system, or an adverse impact on Southern's public-utility subsidiaries, their customers, or the ability of State commissions to protect such public-utility customers.

Item 4 Regulatory Approval.

Gulf's obligations with respect to the Collateral Bonds, the borrowings under the Agreements, the issuance of the Notes in respect thereof and the issuance and

sale of the new Bonds and the new Preferred Stock will have been expressly authorized by the Florida Public Service Commission, which has jurisdiction over the issuance of stocks, bonds and certain evidence of indebtedness by public utility companies operating in Florida

The transactions by Gulf proposed herein are not subject to the jurisdiction of any federal commission other than the Commission

Item 5 Procedure

Gulf requests that the Commission's order herein be issued as soon as the rules allow and that there be no 30-day waiting period between the issuance of the Commission's order and the date on which it is to become effective Gulf hereby waives a recommended decision by a hearing officer or other responsible officer of the Commission and hereby consents that the Division of Investment Management may assist in the preparation of the Commission's decision and/or order in this matter unless such Division opposes the matters covered hereby

Item 6. Exhibits and Financial Statements

(a) Exhibits.

A-1(a) - Indenture dated as of September 1, 1941, between Gulf and The Chase Manhattan Bank, as Trustee, and indentures supplemental thereto through February 1, 1996. (Designated in Registration Nos. 2-4833 as Exhibit B-3, 2-62319 as Exhibit 2(a)-3, 2-63765 as Exhibit 2(a)-3, 2-66260 as Exhibit 2(a)-3, 33-2809 as Exhibit 4(a)-2, 33-43739 as Exhibit 4(a)-2, in GULF's Form 10-K for the year ended December 31, 1991, File No. 0-2429, as Exhibit 4(b), in Form 8-K dated August 18, 1992, File No 0-2429, as Exhibit 4(a)-3, in Registration No. 33-50165 as Exhibit 4(a)-2, in Form 8-K dated July 12, 1993, File No 0-2429, as Exhibit 4, in Certificate of Notification, File No 70-8229, as Exhibit A, in Certificate of Notification, File No. 70-8229, as

Exhibits E and F, in Form 8-K dated January 17, 1996, File No 0-2429, as Exhibit 4 and in Certificate of Notification, File No 70-8229, as Exhibit A)

A-1(b) - Draft of Supplemental Indenture with respect to the new Bonds between Gulf and The Chase Manhattan Bank, as Trustee (To be filed by amendment)

A-2(a) - Restated Articles of Incorporation of GULF and amendments thereto through November 8, 1993 (Designated in Registration No 33-43739 as Exhibit 4(b)-1, in Form 8-K dated January 15, 1992, File No 0-2429, as Exhibit 1(b), in Form 8-K dated August 18, 1992, File No 0-2429, as Exhibit 4(b)-2, in Form 8-K dated September 22, 1993, File No 0-2429, as Exhibit 4 and in Form 8-K dated November 3, 1993, File No 0-2429 as Exhibit 4)

A-2(b) - Draft of proposed certificate of resolution of the Board of Directors of Gulf establishing and designating the new Preferred Stock (To be filed by amendment)

A-2(c) - By-laws of Gulf as amended effective July 26 1996, and as presently in effect

B-1 - Form of Loan or Installment Sale Agreement between Gulf and the County relating to the Revenue Bonds (To be filed by amendment)

B-2 - Form of Trust Indenture between the County and the Trustee relating to the Revenue Bonds (To be filed by amendment)

C - Registration statement filed under the Securities Act of 1933 with respect to the new Bonds and new Preferred Stock. (Filed electronically September 3, 1993, File No. 33-50165.)

D-1 - Petition of Gulf to the Florida Public Service Commission. (To be filed by amendment.)

D-2 - Copy of order of Florida Public Service Commission

E - None.

F - Opinion of Beggs & Lane, counsel for Gulf. (To be filed by amendment)

G - Form of Notice

Exhibits heretofore filed with the Securities and Exchange Commission and designated as set forth above are hereby incorporated herein by reference and made a part hereof with the same effect as if filed herewith

(b) Financial Statements.

Balance sheet of Gulf at June 30, 1996 (Designated in Gulf's Form 10-Q for the quarter ended June 30, 1996, File No 0-2429)

Statements of income and cash flows of Gulf for the six months ended June 30, 1996. (Designated in Gulf's Form 10-Q for the quarter ended June 30, 1996, File No 0-2429)

Since June 30, 1996, there have been no material adverse changes, not in the ordinary course of business, in the financial condition of Gulf from that set forth in or contemplated by the foregoing financial statements

Item 7 Information as to Environmental Effects

(a) The proposed transactions are strictly financial in nature in the ordinary course of Gulf's business. Accordingly, the Commission's action in these matters will not constitute any major federal action significantly affecting the quality of the human environment within the meaning of the National Environmental Policy Act

(b) No other federal agency has prepared or is preparing an environmental impact statement with regard to the proposed transactions.

SIGNATURE

Pursuant to the requirements of the Public Utility Holding Company Act of 1935, the undersigned company has duly caused this statement to be signed on its behalf by the undersigned thereunto duly authorized

Dated: November 1, 1996

GULF POWER COMPANY

By _____
Wayne Boston
Assistant Secretary

File No 70-8949

SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549

AMENDMENT NO. 1
TO
FORM U-1

APPLICATION OR DECLARATION
under
The Public Utility Holding Company Act of 1935

GULF POWER COMPANY
500 Bayfront Parkway
Pensacola, Florida 32501

(Name of company or companies filing this statement
and addresses of principal executive offices)

THE SOUTHERN COMPANY

(Name of top registered holding company parent of each applicant or declarant)

Warren E. Tate
Secretary and Treasurer
Gulf Power Company
500 Bayfront Parkway
Pensacola, Florida 32501

(Names and addresses of agents for service)

The Commission is requested to mail signed copies of all orders, notices and communications to the above agents for service and to:

W. L. Westbrook
Financial Vice President
The Southern Company
270 Peachtree Street, N.W.
Atlanta, Georgia 30303

John D. McLanahan, Esq.
Troutman Sanders LLP
600 Peachtree Street, N.E.
Suite 5200
Atlanta, Georgia 30308-2216

INFORMATION REQUIRED

Item 3. Applicable Statutory Provisions

Item 3 is hereby amended by adding thereto the following

"Rule 54 Analysis: The proposed transaction is also subject to Rule 54, which provides that, in determining whether to approve an application which does not relate to any "exempt wholesale generator" ("EWG") or "foreign utility company" ("FUCO"), the Commission shall not consider the effect of the capitalization or earnings of any such EWG or FUCO which is a subsidiary of a registered holding company if the requirements of Rule 53(a), (b) and (c) are satisfied.

The Southern Company ("Southern") currently meets all of the conditions of Rule 53(a), except for clause (1). At March 31, 1997, Southern's "aggregate investment " as defined in Rule 53(a)(1), in EWGs and FUCOs is approximately $2.481 billion, or about 67.6% of Southern's "consolidated retained earnings," also as defined in Rule 53(a)(1), for the four quarters ended December 31, 1996 ($3,671 million). With respect to Rule 53(a)(1), however, the Commission has determined that Southern's financing of investments in EWGs and FUCOs in an amount greater than the amount that would otherwise be allowed by Rule 53(a)(1) would not have either of the adverse effects set forth in Rule 53(c). See The Southern Company, Holding Company Act Release Nos. 26501 and 26646, dated April 1, 1996 and January 15, 1997, respectively.

In addition, Southern has complied and will continue to comply with the record-keeping requirements of Rule 53(a)(2), the limitation under Rule 53(a)(3) on the

use of Operating Company personnel to render services to EWGs and FUCOs, and the requirements of Rule 53(a)(4) concerning the submission of copies of certain filings under the Act to retail rate regulatory commissions Further, none of the circumstances described in Rule 53(b) has occurred.

Moreover, even if the effect of the capitalization and earnings of EWGs and FUCOs in which Southern has an ownership interest upon the Southern holding company system were considered, there is no basis for the Commission to withhold or deny approval for the proposal made in this Application-Declaration The action requested in the instant filing (*viz.* approval for certain financing transactions by Gulf) would not, by itself, or even considered in conjunction with the effect of the capitalization and earnings of Southern's EWGs and FUCOs, have a material adverse effect on the financial integrity of the Southern system, or an adverse impact on Southern's public-utility subsidiaries, their customers, or the ability of State commissions to protect such public-utility customers "

Item 6. Exhibits and Financial Statements.

(a) Exhibits.

D-2 - Copy of order of Florida Public Service Commission.

SIGNATURE

Pursuant to the requirements of the Public Utility Holding Company Act of 1935, the undersigned company has duly caused this amendment to be signed on its behalf by the undersigned thereunto duly authorized

Dated: April 30, 1997

GULF POWER COMPANY

By: _____
Wayne Boston
Assistant Secretary

File No. 70-8949

SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549

AMENDMENT NO. 2
TO
FORM U-1

APPLICATION OR DECLARATION
under
The Public Utility Holding Company Act of 1935

GULF POWER COMPANY
500 Bayfront Parkway
Pensacola, Florida 32501

(Name of company or companies filing this statement
and addresses of principal executive offices)

THE SOUTHERN COMPANY

(Name of top registered holding company parent of each applicant or declarant)

Warren E. Tate
Secretary and Treasurer
Gulf Power Company
500 Bayfront Parkway
Pensacola, Florida 32501

(Names and addresses of agents for service)

The Commission is requested to mail signed copies of all orders, notices and communications to the above agents for service and to:

W. L. Westbrook
Financial Vice President
The Southern Company
270 Peachtree Street, N.W.
Atlanta, Georgia 30303

John D. McLanahan, Esq.
Troutman Sanders LLP
600 Peachtree Street, N.E.
Suite 5200
Atlanta, Georgia 30308-2216

INFORMATION REQUIRED

Item 3. Applicable Statutory Provisions.

Rule 54 Analysis: The proposed transaction is also subject to Rule 54, which provides that, in determining whether to approve an application which does not relate to any "exempt wholesale generator" ("EWG") or "foreign utility company" ("FUCO"), the Commission shall not consider the effect of the capitalization or earnings of any such EWG or FUCO which is a subsidiary of a registered holding company if the requirements of Rule 53(a), (b) and (c) are satisfied

Southern currently meets all of the conditions of Rule 53(a), except for clause (1). At May 31, 1997, Southern's "aggregate investment," as defined in Rule 53(a)(1), in EWGs and FUCOs was approximately $2.117 billion, or about 56.78% of Southern's "consolidated retained earnings," also as defined in Rule 53(a)(1), for the four quarters ended March 31, 1997 ($3,728 million). With respect to Rule 53(a)(1), however, the Commission has determined that Southern's financing of investments in EWGs and FUCOs in an amount greater than the amount that would otherwise be allowed by Rule 53(a)(1) would not have either of the adverse effects set forth in Rule 53(c). See *The Southern Company*, Holding Company Act Release No. 16501, dated April 1, 1996 (the "Rule 53(c) Order"); and Holding Company Act Release No. 26646, dated January 15, 1997 (order denying request for reconsideration and motion to stay).

In addition, Southern has complied and will continue to comply with the record-keeping requirements of Rule 53(a)(2), the limitation under Rule 53(a)(3) on the use of Operating Company personnel to render services to EWGs and FUCOs, and the requirements of Rule 53(a)(4) concerning the submission of copies of certain filings

under the Act to retail rate regulatory commissions. Further, none of the circumstances described in Rule 53(b) has occurred.

Moreover, even if the effect of the capitalization and earnings of EWGs and FUCOs in which Southern has an ownership interest upon the Southern holding company system were considered, there is no basis for the Commission to withhold or deny approval for the proposal made in this Application-Declaration. The action requested in the instant filing (*viz.* certain financing transactions by Gulf) would not, by itself, or even considered in conjunction with the effect of the capitalization and earnings of Southern's EWGs and FUCOs, have a material adverse effect on the financial integrity of the Southern system, or an adverse impact on Southern's public-utility subsidiaries, their customers, or the ability of State commissions to protect such public-utility customers.

The Rule 53(c) Order was predicated, in part, upon an assessment of Southern's overall financial condition. On a consolidated pro forma basis, the proposed issuance of Revenue Bonds, new Bonds, and new Preferred Stock by Gulf Power would have no significant effect on Southern Company consolidated capitalization. In addition, in January 1997 Standard & Poor's assigned Southern Company its corporate credit rating of 'A' which was consistent with the implied corporate rating previously held by Southern. This implied rating had been in effect since May 1995. Therefore, since the April 1996 issue of the Rule 53(c) Order, the Southern consolidated credit rating has remained at 'A' thereby demonstrating Southern's consistent strong financial integrity

Southern's consolidated retained earnings grew on average approximately 6.8% per year from 1991 through 1995. In 1996, consolidated retained earnings increased $280,365,000, or slightly more than 8%. The small reduction in the rate of earnings

growth was primarily attributable to reduced domestic utility sales due to mild weather conditions throughout most of 1996 in the southeastern United States. Earnings attributable to Southern's investments in EWGs and FUCOs continued to contribute modestly to consolidated retained earnings.

Accordingly, since the date of the Rule 53(c) Order, the capitalization and earnings attributable to Southern's investments in EWGs and FUCOs has not had any adverse impact on Southern's financial integrity.

Reference is made to Exhibit G filed herewith which reflects capitalization at March 31, 1997 and the Statement of Income for the twelve months ended March 31, 1997 for The Southern Company and subsidiaries consolidated. In addition, the exhibit is adjusted to give effect to, among other things, the proposed issuance of the Revenue Bonds, the new Bonds and the new Preferred Stock by Gulf.

Item 6. Exhibits and Financial Statements.

(a) Exhibits.

B-1	-	Form of Loan or Installment Sale Agreement between Gulf and the County relating to the Revenue Bonds.
B-2	-	Form of Trust Indenture between the County and the Trustee relating to the Revenue Bonds.
F	-	Opinion of Beggs & Lane, counsel for Gulf.
G	-	Capitalization and Income Statement of The Southern Company and Subsidiary Companies after giving effect to, among other things, the issuance of the new Bonds, the new Preferred Stock and the Revenue Bonds.

SIGNATURE

Pursuant to the requirements of the Public Utility Holding Company Act of 1935, the undersigned company has duly caused this statement to be signed on its behalf by the undersigned thereunto duly authorized.

Dated: June 25, 1996

GULF POWER COMPANY

By _____
Wayne Boston
Assistant Secretary

File No. 70-8949

SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549

AMENDMENT NO. 3
TO
FORM U-1

APPLICATION OR DECLARATION
under
The Public Utility Holding Company Act of 1935

GULF POWER COMPANY
500 Bayfront Parkway
Pensacola, Florida 32501

(Name of company or companies filing this statement
and addresses of principal executive offices)

THE SOUTHERN COMPANY

(Name of top registered holding company parent of each applicant or declarant)

Warren E. Tate
Secretary and Treasurer
Gulf Power Company
500 Bayfront Parkway
Pensacola, Florida 32501

(Names and addresses of agents for service)

The Commission is requested to mail signed copies of all orders, notices and communications to the above agents for service and to:

W. L. Westbrook
Financial Vice President
The Southern Company
270 Peachtree Street, N.W.
Atlanta, Georgia 30303

John D. McLanahan, Esq.
Troutman Sanders LLP
600 Peachtree Street, N.E.
Suite 5200
Atlanta, Georgia 30308-2216

INFORMATION REQUIRED

Item 3. Applicable Statutory Provisions.

Item 3 is hereby amended by replacing the Rule 54 Analysis with the following:

Rule 54 Analysis: The proposed transaction is also subject to Rule 54, which provides that, in determining whether to approve an application which does not relate to any "exempt wholesale generator" ("EWG") or "foreign utility company" ("FUCO"), the Commission shall not consider the effect of the capitalization or earnings of any such EWG or FUCO which is a subsidiary of a registered holding company if the requirements of Rule 53(a), (b) and (c) are satisfied.

Southern currently meets all of the conditions of Rule 53(a), except for clause (1). At May 31, 1997, Southern's "aggregate investment," as defined in Rule 53(a)(1), in EWGs and FUCOs was approximately $2.117 billion, or about 56.78% of Southern's "consolidated retained earnings," also as defined in Rule 53(a)(1), for the four quarters ended March 31, 1997 ($3,728 million). With respect to Rule 53(a)(1), however, the Commission has determined that Southern's financing of investments in EWGs and FUCOs in an amount greater than the amount that would otherwise be allowed by Rule 53(a)(1) would not have either of the adverse effects set forth in Rule 53(c). See *The Southern Company*, Holding Company Act Release No. 16501, dated April 1, 1996 (the "Rule 53(c) Order"); and Holding Company Act Release No. 26646, dated January 15, 1997 (order denying request for reconsideration and motion to stay).

In addition, Southern has complied and will continue to comply with the record-keeping requirements of Rule 53(a)(2), the limitation under Rule 53(a)(3) on the use of Operating Company personnel to render services to EWGs and FUCOs, and the requirements of Rule 53(a)(4) concerning the submission of copies of certain filings

under the Act to retail rate regulatory commissions. Further, none of the circumstances described in Rule 53(b) has occurred.

Moreover, even if the effect of the capitalization and earnings of EWGs and FUCOs in which Southern has an ownership interest upon the Southern holding company system were considered, there is no basis for the Commission to withhold or deny approval for the proposal made in this Application-Declaration. The action requested in the instant filing (*viz.* certain financing transactions by Gulf) would not, by itself, or even considered in conjunction with the effect of the capitalization and earnings of Southern's EWGs and FUCOs, have a material adverse effect on the financial integrity of the Southern system, or an adverse impact on Southern's public-utility subsidiaries, their customers, or the ability of State commissions to protect such public-utility customers.

The Rule 53(c) Order was predicated, in part, upon an assessment of Southern's overall financial condition which took into account, among other factors, Southern's consolidated capitalization ratio and the recent growth trend in Southern's retained earnings. As of December 31, 1995, the most recent fiscal year preceding the Rule 53(c) Order, Southern's consolidated capitalization consisted of 49.3% equity (including mandatorily redeemable preferred securities) and 50.7% debt (including $1.68 billion of long-term, non-recourse debt and short-term debt related to EWGs and FUCOs). As of year-end 1996, that ratio was 52.9% equity and 47.1% debt (including $1.74 billion of long-term, non-recourse debt and short-term debt related to EWGs and FUCOs); and as of March 31, 1997, following completion of Southern's acquisition of a controlling interest in Consolidated Electric Power Asia Ltd., the comparable ratio was 48.7% equity and 51.3% debt (including $3.82 billion of long-term, non-recourse debt

and short-term debt related to EWGs and FUCOs). On a *pro forma* basis, taking into consideration, among other things, the proposed issuance of Revenue Bonds, new Bonds and new Preferred Stock by Gulf Power Company, there is no significant effect on consolidated capitalization. The common equity component of Southern's pro forma consolidated capitalization represents 37.7% of total capitalization at March 31, 1997. Thus, since the date of the Rule 53(c) Order, there has been no material change in Southern's consolidated capitalization ratio, which remains within acceptable ranges and limits of rating agencies as evident by the continued "A" corporate credit rating of Southern Company. Specifically, in January 1997 Standard & Poor's assigned Southern Company its corporate credit rating of "A" which was consistent with the implied corporate rating previously held by Southern. This implied rating had been in effect since May 1995. Therefore, since the April 1996 issue of the Rule 53(c) Order, the Southern consolidated credit rating has remained at "A" thereby demonstrating Southern's continued strong financial integrity. In addition, the underlying ratings of the affiliated operating companies, which have a strong influence on the Southern Company corporate rating, are all "A+". As a point of reference, the consolidated pro forma percentage of debt in the total capital structure of the Southern domestic operating utility companies is 42.8%, which is solidly below the median total debt ratio of the Standard & Poor's A" rated vertically integrated utilities.[1]

Southern's consolidated retained earnings grew on average approximately 8.8% per year from 1991 through 1995. In 1996, consolidated retained earnings increased $280,365,000, or slightly more than 8%. The small reduction in the rate of earnings

[1] Currently, capitalization ratios, including short-term debt, for "A" rated vertically integrated electric utilities have a median total debt to total capital ratio of 45% as noted by Standard & Poor's in May 1997 for c ıpanies rated both publicly and confidentially. Prior to issuing this rating standard, the Standard & Poor's total debt to total capital benchmark for an "A" rated vertically integrated investor-owned-utility having an average business position was 47%.

growth was primarily attributable to reduced domestic utility sales due to mild weather conditions throughout most of 1996 in the southeastern United States. Earnings attributable to Southern's investments in EWGs and FUCOs continued to contribute modestly to consolidated retained earnings.

Accordingly, since the date of the Rule 53(c) Order, the capitalization and earnings attributable to Southern's investments in EWGs and FUCOs has not had any adverse impact on Southern's financial integrity.

Reference is made to Exhibit G filed herewith which reflects capitalization at March 31, 1997 and the Statement of Income for the twelve months ended March 31, 1997 for The Southern Company and subsidiaries consolidated. In addition, the exhibit is adjusted to give effect to, among other things, the proposed issuance of the Revenue Bonds, the new Bonds and the new Preferred Stock by Gulf.

SIGNATURE

Pursuant to the requirements of the Public Utility Holding Company Act of 1935, the undersigned company has duly caused this amendment to be signed on its behalf by the undersigned thereunto duly authorized.

Dated: June 27, 1997

GULF POWER COMPANY

By: _____
Wayne Boston
Assistant Secretary

CERTIFICATE OF NOTIFICATION

Filed by

GULF POWER COMPANY

Pursuant to order of the Securities and Exchange Commission dated June 30, 1997 in the matter of File No. 70-8949.

Gulf Power Company (the "Company") hereby certifies to said Commission, pursuant to Rule 24, as follows:

1. A Loan Agreement dated as of July 1, 1997 was made and entered into by and between the Company and Escambia County, Florida ("Escambia County"), and all transactions relating thereto (including the issuance by the Company of its promissory note dated July 1, 1997 in the principal amount of $37,000,000 pursuant thereto) were carried out in accordance with the terms and conditions of and for the purposes represented by the application, as amended, and of said order with respect thereto.

2. A Loan Agreement dated as of July 1, 1997 was made and entered into by and between the Company and Jackson County, Florida ("Jackson County"), and all transactions relating thereto (including the issuance by the Company of its promissory note dated July 1, 1997 in the principal amount of $3,930,000 pursuant thereto) were carried out in accordance with the terms and conditions of and for the purposes represented by the application, as amended, and of said order with respect thereto.

3. Filed herewith are the following exhibits.

Exhibit A - Loan Agreement between Escambia County and the Company, dated as of July 1, 1997.

Exhibit B - Loan Agreement between Jackson County and the Company, dated as of July 1, 1997.

Exhibit C - Trust Indenture of Escambia County, dated as of July 1, 1997.

Exhibit D - Trust Indenture of Jackson County, dated as of July 1, 1997

Exhibit E - Subordinate Land Deed of Trust among the Company, Ben H. Stone, as trustee, and Escambia County, dated July 1, 1997.

Exhibit F - Subordinate Land Deed of Trust among the Company, Ben H. Stone, as trustee, and Jackson County, dated July 1, 1997.

Exhibit G - Opinion of Beggs & Lane dated July 14, 1997.

Dated: July 14, 1997

GULF POWER COMPANY

By _____
Wayne Boston
Assistant Secretary

Exhibit G

BEGGS & LANE

ATTORNEYS AND COUNSELLORS AT LAW

POST OFFICE BOX 12950
PENSACOLA, FLORIDA 32576-2950

SEVENTH FLOOR BLOUNT BUILDING
3 WEST GARDEN STREET
PENSACOLA FLORIDA 32501
TELEPHONE 904 432-2451
TELECOPIER 904 469 3330

ROBERT P. GAINES
W. SPENCER HITCHEN
JAMES M. WEBER
ROBERT L. CRONGEYER
JOHN F. WINDHAM
J. NIXON DANIEL, III
G. EDISON HOLLAND, JR.
RALPH A. PETERSON
GARY B. LEUCHTMAN
JOHN P. DANIEL
JEFFREY A. STONE
JAMES B. CAMPBELL
RUSSELL F. VAN BIKLE
RUSSELL A. BADDERS
GARY W. HUSTON
DAVID J. BARBERIE
MARY JANE THIES
JAMES L. CRONGEYER, JR.
DAVID L. McGEE

E. DIXIE BEGGS
Retired
BERT H. LANE
(1917-1981)

July 14, 1997

Re: Statement on Form U-1 of
Gulf Power Company
(herein called the "Company")
File No. 70-8949

Securities and Exchange Commission
Washington, DC 20549

Gentlemen:

We have read the statement on Form U-1, as amended, referred to above and are furnishing this opinion with respect to the issuance of $40,930,000 aggregate principal amount of Revenue Bonds (as defined therein) for the benefit of the Company.

We are of the opinion that

(a) the Company is validly organized and duly existing as a corporation under the laws of the State of Maine and is duly authorized to do business as a foreign corporation in the States of Florida, Georgia and Mississippi;

(b) the transactions have been consummated in accordance with such statement on Form U-1, as amended;

(c) all state laws applicable to the transactions have been complied with,

(d) the Company's Notes evidencing its obligations with respect to the Revenue Bonds are valid and binding obligations of the Company in accordance with their terms, and

(e) the consummation of such transactions did not violate the legal rights of the holders of any securities issued by the Company or any associate company thereof.

We hereby give our written consent to the use of this opinion in connection with the above-mentioned statement on Form U-1, as amended, and to the filing thereof with the Commission at the time of the filing by the Company of its certificate of notification pursuant to Rule 24.

Very truly yours,

Bergs + Lane

GULF POWER COMPANY
Summary of Debt Expenses in Conjunction with the Issuance and Sale of $37,000,000 Principal Amount Escambia County Pollution Control Revenue Refunding Bonds, Variable Rate Series Due 2022

Item Number	Issuance Expense For:	Amount $
1.	Florida Intangible Personal Property Tax	$0.00
2.	Florida Documentary Stamp Tax	0.00
3.	Charges of Trustee (Including Counsel)	11,568.63
4.	Issuer's Fee	0.00
5.	Printing & preparation of Registration Statement, Financial Statements, Prospectus, Competitive Bidding Papers, Supplemental Indenture, etc.	0.00
6.	Cost of Definitive Bonds	0.00
7.	Fees & Expenses of Counsel	165,257.39
8.	Fees of Accountants	18,900.00
9.	Fees of Directors	0.00
10.	Rating Fees	19,604.63
11.	Expenses of Southern Company Services, Inc.	6,723.00
12	Recording Supplemental Indentures	0.00
13.	Miscellaneous Expenses (Travel, meals, etc.)	5,895.71
	Total Expenses of Issue	$227,949.36
	Underwriter's Fee (Discount)	81,352.26
	Total	$309,301.62

Indicate by check mark whether the registrants (1) have filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrants were required to file such reports), and (2) have been subject to such filing requirements for the past 90 days. Yes X No

Registrant	Description of Common Stock	Shares Outstanding at October 31, 1997
The Southern Company	Par Value $5 Per Share	690,113,512
Alabama Power Company	Par Value $40 Per Share	5,608,955
Georgia Power Company	No Par Value	7,761,500
Gulf Power Company	No Par Value	992,717
Mississippi Power Company	Without Par Value	1,121,000
Savannah Electric and Power Company	Par Value $5 Per Share	10,844,635

This combined Form 10-Q is separately filed by The Southern Company, Alabama Power Company, Georgia Power Company, Gulf Power Company, Mississippi Power Company and Savannah Electric and Power Company. Information contained herein relating to any individual company is filed by such company on its own behalf. Each company makes no representation as to information relating to the other companies.

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

EXHIBIT D

FORM 10-Q
(X) QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934
For the Quarter Ended September 30, 1997
OR
( ) TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934
For the Transition Period from _____to_____

Commission File Number	Registrant, State of Incorporation, Address and Telephone Number	I.R.S. Employer Identification No.
1-3526	**The Southern Company** (A Delaware Corporation) 270 Peachtree Street, N.W. Atlanta, Georgia 30303 (770) 393-0650	58-0690070
1-3164	**Alabama Power Company** (An Alabama Corporation) 600 North 18th Street Birmingham, Alabama 35291 (205) 257-1000	63-0004250
1-6468	**Georgia Power Company** (A Georgia Corporation) 333 Piedmont Avenue, N.E. Atlanta, Georgia 30308 (404) 526-6526	58-0257110
0-2429	**Gulf Power Company** (A Maine Corporation) 500 Bayfront Parkway Pensacola, Florida 32501 (850) 444-6111	59-0276810
0-6849	**Mississippi Power Company** (A Mississippi Corporation) 2992 West Beach Gulfport, Mississippi 39501 (601) 864-1211	64-0205820
1-5072	**Savannah Electric and Power Company** (A Georgia Corporation) 600 East Bay Street Savannah, Georgia 31401 (912) 644-7171	58-0418070

Indicate by check mark whether the registrants (1) have filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrants were required to file such reports), and (2) have been subject to such filing requirements for the past 90 days. Yes X No

Registrant	Description of Common Stock	Shares Outstanding at October 31, 1997
The Southern Company	**Par Value $5 Per Share**	**690,113,512**
Alabama Power Company	**Par Value $40 Per Share**	**5,608,955**
Georgia Power Company	**No Par Value**	**7,761,500**
Gulf Power Company	**No Par Value**	**992,717**
Mississippi Power Company	**Without Par Value**	**1,121,000**
Savannah Electric and Power Company	**Par Value $5 Per Share**	**10,844,635**

This combined Form 10-Q is separately filed by The Southern Company, Alabama Power Company, Georgia Power Company, Gulf Power Company, Mississippi Power Company and Savannah Electric and Power Company. Information contained herein relating to any individual company is filed by such company on its own behalf. Each company makes no representation as to information relating to the other companies.

INDEX TO QUARTERLY REPORT ON FORM 10-Q
September 30, 1997

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DEFINITIONS

TERM	MEANING
affiliates	ALABAMA, GEORGIA, GULF, MISSISSIPPI and SAVANNAH
ALABAMA	Alabama Power Company
CEPA	Consolidated Electric Power Asia
Clean Air Act	Clean Air Act Amendments of 1990
ECO Plan	Environmental Compliance Overview Plan
Energy Act	Energy Policy Act of 1992
EWG	Exempt wholesale generator
FASB	Financial Accounting Standards Board
FERC	Federal Energy Regulatory Commission
Form 10-K	Combined Annual Report on Form 10-K of SOUTHERN, ALABAMA, GEORGIA, GULF, MISSISSIPPI and SAVANNAH for the year ended December 31, 1996
FUCO	Foreign utility company
GEORGIA	Georgia Power Company
GULF	Gulf Power Company
MEAG	Municipal Electric Authority of Georgia
MISSISSIPPI	Mississippi Power Company
OPC	Oglethorpe Power Corporation
operating affiliates	*see* affiliates
operating companies	*see* affiliates
PEP	Performance Evaluation Plan
PSC	Public Service Commission
SAVANNAH	Savannah Electric and Power Company
SEC	Securities and Exchange Commission
SOUTHERN	The Southern Company
Southern Energy	Southern Energy, Inc. (formerly Southern Electric International, Inc.), including SOUTHERN subsidiaries managed or controlled by Southern Energy
SWEB	South Western Electricity plc (United Kingdom)
TVA	Tennessee Valley Authority

THE SOUTHERN COMPANY
AND SUBSIDIARY COMPANIES

THE SOUTHERN COMPANY AND SUBSIDIARY COMPANIES
CONDENSED CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)
(Stated in Thousands of Dollars)

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	1997	1996	1997	1996
OPERATING REVENUES	$ 4,071,204	$ 2,932,556	$ 9,372,813	$ 7,925,418
OPERATING EXPENSES:				
Operation--				
Fuel	694,152	642,408	1,697,158	1,700,439
Purchased power	1,138,447	256,463	2,079,864	766,914
Other (Note H)	480,519	460,975	1,364,054	1,387,718
Maintenance	164,748	169,856	567,593	553,573
Depreciation and amortization	357,564	249,915	936,595	745,751
Amortization of deferred Plant Vogtle costs (Note M)	37,580	34,077	112,791	101,070
Taxes other than income taxes	145,668	162,836	436,635	485,044
Income taxes	332,182	290,600	632,070	661,523
Total operating expenses	3,350,860	2,267,130	7,826,760	6,402,032
OPERATING INCOME	720,344	665,426	1,546,053	1,523,386
OTHER INCOME:				
Allowance for equity funds used during construction	2,649	1,169	4,272	2,213
Interest income	30,027	11,783	78,250	39,590
Other, net	(3,678)	18,832	28,921	48,333
Income taxes applicable to other income	14,354	(19,264)	27,402	2,681
United Kingdom Windfall Profit Tax (Note R)	(148,062)	-	(148,062)	-
INCOME BEFORE INTEREST CHARGES	615,634	677,946	1,536,836	1,616,203
INTEREST CHARGES AND OTHER:				
Interest on long-term debt	160,891	126,428	478,236	389,774
Allowance for debt funds used during construction	(1,840)	(4,400)	(10,424)	(15,189)
Interest on notes payable	26,406	30,288	81,834	95,095
Amortization of debt discount, premium and expense, net	9,395	15,560	25,750	36,500
Other interest charges	15,947	12,326	44,815	40,478
Minority interest in subsidiaries	(15,454)	3,765	12,888	4,591
Distributions on capital and preferred securities of subsidiary companies	34,572	4,183	84,965	11,823
Preferred dividends of subsidiary companies	11,007	22,356	42,254	65,556
Interest charges and other, net	240,924	210,506	760,318	628,628
CONSOLIDATED NET INCOME	$ 374,710	$ 467,440	$ 776,518	$ 987,575
AVERAGE NUMBER OF SHARES OF COMMON STOCK OUTSTANDING (Thousands)	687,159	673,651	682,924	671,838
EARNINGS PER SHARE OF COMMON STOCK	$0.55	$0.69	$1.14	$1.47
CASH DIVIDENDS PAID PER SHARE OF COMMON STOCK	$0.325	$0.315	$0.975	$0.945

The accompanying notes as they relate to SOUTHERN are an integral part of these condensed statements

THE SOUTHERN COMPANY AND SUBSIDIARY COMPANIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)
(Stated in Thousands of Dollars)

	For the Nine Months Ended September 30, 1997	1996
OPERATING ACTIVITIES:		
Consolidated net income	$ 776,518	$ 9[illegible]7,575
Adjustments to reconcile net income to net cash provided by operating activities–		
Depreciation and amortization	1,112,051	913,122
Deferred income taxes and investment tax credits	(16,696)	67,694
Allowance for equity funds used during construction	(4,272)	(2,213)
Amortization of deferred Plant Vogtle costs (Note M)	11[illegible],791	101,070
Gain on asset sales	(16,167)	(62,787)
Other, net	76,471	39,254
Changes in certain current assets and liabilities–		
Receivables, net	(420[illegible]68)	(75,918)
Fossil fuel stock	33,942	64,170
Materials and supplies	18,553	22,266
Prepayments	(24,433)	(29,748)
Payables	34,266	(136,168)
Customer deposits	2,418	(83,360)
Taxes Accrued	478,208	159,459
Other	85,096	(82,096)
Net cash provided from operating activities	2,248,678	1,882,320
INVESTING ACTIVITIES:		
Gross property additions	(1,220,017)	(911,435)
Southern Energy business acquisitions	(2,812,404)	-
Sales of property	33,270	[illegible]9,558
Other	(42,086)	(98,990)
Net cash used for investing activities	(4,041,237)	(800,867)
FINANCING ACTIVITIES:		
Proceeds–		
Common stock	270,632	95,873
Capital and preferred securities	1,321,250	322,000
First mortgage bonds	-	60,000
Pollution control obligations	339,500	146,100
Other long-term debt	1,827,088	319,148
Retirements–		
Preferred stock	(428,440)	(78,897)
First mortgage bonds	(112,409)	(377,149)
Pollution control obligations	(289,500)	(91,460)
Other long-term debt	(534,095)	(1,116,073)
Special deposits-redemption funds	(6,877)	(61,480)
Notes payable, net	316,104	(40,027)
Payment of common stock dividends	(664,718)	(634,553)
Miscellaneous	(70,453)	(16,318)
Net cash provided from (used for) financing activities	1,968,082	(1,472,836)
NET CHANGE IN CASH AND CASH EQUIVALENTS	175,523	(391,383)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	444,832	772,340
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 620,355	$ 380,957
SUPPLEMENTAL CASH FLOW INFORMATION:		
Cash paid during the period for–		
Interest (net of amount capitalized)	$674,499	$545,845
Income taxes	$427,029	$458,731
Southern Energy business acquisitions–		
Fair value of assets acquired	$4,795,324	
Less cash paid for common stock	2,812,404	-
Liabilities assumed	$1,982,920	-

The accompanying notes as [illegible]y relate to SOUTHERN are an integral part of these condensed statements

THE SOUTHERN COMPANY AND SUBSIDIARY COMPANIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(Stated in Thousands of Dollars)

ASSETS

	At September 30, 1997 (Unaudited)	At December 31, 1996
UTILITY PLANT:		
Plant in service	$ 33,702,312	$ 33,260,914
Less accumulated provision for depreciation	11,727,455	10,921,242
	21,974,857	22,339,672
Nuclear fuel, at amortized cost	202,134	245,702
Construction work in progress	845,908	683,924
Total	23,022,899	23,269,298
OTHER PROPERTY AND INVESTMENTS:		
Goodwill, being amortized	1,886,188	318,142
Leasehold interests	1,818,598	415,600
Equity investments in subsidiaries	1,160,461	227,097
Long-term notes receivable	582,530	-
Nuclear decommissioning trusts, at market	365,338	278,938
Miscellaneous	269,313	261,175
Total	6,082,428	1,500,952
CURRENT ASSETS:		
Cash and cash equivalents	620,355	444,832
Special deposits	169,472	139,387
Receivables, less accumulated provisions for uncollectible accounts of $78,063 at September 30, 1997 and $31,587 at December 31, 1996	2,064,490	1,363,159
Fossil fuel stock, at average cost	236,604	269,940
Materials and supplies, at average cost	494,834	509,409
Prepayments	294,201	252,977
Vacation pay deferred	75,690	77,195
Total	3,955,646	3,056,899
DEFERRED CHARGES:		
Deferred charges related to income taxes	1,244,490	1,302,342
Deferred Plant Vogtle costs (Note M)	58,198	170,988
Debt expense, being amortized	101,742	78,042
Premium on reacquired debt, being amortized	284,613	289,019
Miscellaneous	634,204	624,262
Total	2,323,247	2,464,653
TOTAL ASSETS	$ 35,384,220	$ 30,291,802

The accompanying notes as they relate to SOUTHERN are an integral part of these condensed statements

THE SOUTHERN COMPANY AND SUBSIDIARY COMPANIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(Stated in Thousands of Dollars)

CAPITALIZATION AND LIABILITIES

	At September 30, 1997 (Unaudited)	At December 31, 1996
CAPITALIZATION:		
Common stock, par value $5 per share-		
Authorized -- 1 billion shares		
Outstanding -- September 30, 1997: 689,591,537 shares		
-- December 31, 1996: 677,035,961 shares	$ 3,447,958	$ 3,385,180
Paid-in capital	2,265,204	2,067,228
Retained earnings	3,875,410	3,763,987
	9,588,572	9,216,395
Preferred stock of subsidiaries	695,702	979,527
Subsidiary obligated mandatorily redeemable capital and preferred securities (Note I)	1,742,020	422,000
Long-term debt	10,055,279	7,935,269
Total	22,081,573	18,553,191
CURRENT LIABILITIES:		
Preferred stock of subsidiaries due within one year	28,913	173,528
Long-term debt due within one year	679,670	191,411
Notes payable	1,871,505	1,482,822
Accounts payable	896,628	787,809
Customer deposits	133,962	131,364
Taxes accrued--		
Income taxes	395,708	11,965
Other	315,110	192,921
Interest accrued	191,525	187,152
Vacation pay accrued	104,240	103,514
Miscellaneous	858,090	535,366
Total	5,475,351	3,798,032
DEFERRED CREDITS AND OTHER LIABILITIES:		
Accumulated deferred income taxes	4,580,072	4,738,085
Deferred credits related to income taxes	844,343	879,090
Accumulated deferred investment tax credits	764,915	787,545
Employee benefits provisions	488,647	439,176
Minority interests in subsidiaries	394,750	374,922
Prepaid capacity revenues	113,206	122,496
Department of Energy assessments	80,523	80,523
Disallowed Plant Vogtle capacity buyback costs	56,316	57,250
Storm damage reserves	37,852	35,112
Miscellaneous	466,672	426,380
Total	7,827,296	7,940,579
TOTAL CAPITALIZATION AND LIABILITIES	$ 35,384,220	$ 30,291,802

The accompanying notes as they relate to SOUTHERN are an integral part of these condensed statements

THE SOUTHERN COMPANY AND SUBSIDIARY COMPANIES
MANAGEMENT'S DISCUSSION AND ANALYSIS OF
RESULTS OF OPERATIONS AND FINANCIAL CONDITION

THIRD QUARTER 1997 vs. THIRD QUARTER 1996
AND
YEAR-TO-DATE 1997 vs. YEAR-TO-DATE 1996

RESULTS OF OPERATIONS

Earnings

SOUTHERN's consolidated net income for the third quarter and year-to-date 1997 was $375 million ($0.55 per share) and $777 million ($1.14 per share), respectively, compared to $467 million ($0.69 per share) and $988 million ($1.47 per share) for the corresponding periods of 1996. Earnings decreased 19.8% and 21.4% for the quarter and year-to-date, respectively due to several factors. These factors included a windfall profit tax imposed by the government of the United Kingdom on SWEB and increased depreciation and amortization expenses. The windfall profit tax caused a one-time charge in the third quarter reducing earnings by $111 million or about $0.16 per share, after giving effect to minority interest.

SOUTHERN's traditional core business is primarily represented by its five domestic electric utility operating companies, which provide electric service in four Southeastern states. Another significant portion of SOUTHERN's business is its non-traditional business primarily represented by Southern Energy, which owns and manages international and domestic businesses for SOUTHERN. Businesses acquired by Southern Energy have been included in the consolidated statements of income since the date of acquisition. Certain changes in operating revenues and expenses from the prior period are the result of such acquisitions.

Significant income statement items appropriate for discussion include the following:

	Increase (Decrease)			
	Third Quarter		Year-To-Date	
	(in thousands)	%	(in thousands)	%
Operating revenues	$1,138,648	38.8	$1,447,395	18.3
Purchased power expense	881,984	343.9	1,312,950	171.2
Depreciation and amortization expense	107,649	43.1	190,844	25.6
Taxes other than income taxes	(17,168)	(10.5)	(48,409)	(10.0)
Interest income	18,244	154.8	38,660	97.7
Income taxes applicable to other income	33,618	(74.5)	24,721	N/M
United Kingdom Windfall Profit Tax	(148,062)	N/A	(148,062)	N/A
Interest on long-term debt	34,463	27.3	88,462	22.7
Interest on notes payable	(3,882)	(12.8)	(13,261)	(13.9)
Minority interest in subsidiaries	(19,219)	N/M	8,297	180.7
Distributions on capital and preferred securities of subsidiary companies	30,389	N/M	73,142	N/M
Preferred dividends of subsidiary companies	(11,349)	(50.8)	(23,302)	(35.5,

N/M - Not meaningful.
N/A - Not applicable

Operating revenues. Operating revenues for the traditional core business for the third quarter increased $207 million or 8.1% and year-to-date decreased $33 million or 0.5%, compared to the corresponding periods of 1996. Operating revenues for non-traditional business were up $931 million or 260.2% for the quarter and $1.480 billion or 128.5% for year-to-date. The increase in third quarter traditional core revenues was mainly due to a 5.6% increase in energy sales during the quarter. Energy sales to the residential, commercial and industrial sectors increased by 5.7%, 5.4% and 4.1%, respectively. The decrease in year-to-date traditional core revenues was mainly due to the 5.2% decrease in energy sales to residential customers. This decrease in energy sales was a result of milder-than-normal weather experienced throughout the operating companies' service areas. Non-traditional operating revenues increased for the quarter and year-to-date due primarily to increased sales by Southern Energy's energy marketing organization. These revenues were $883 million and $1.313 billion for the current quarter and year-to-date 1997, respectively.

Purchased power expense. For the third quarter, purchased power expenses for the traditional core business rose by 35.3% while year-to-date traditional core business purchased power expenses fell by 5.5%. The increase for the quarter was primarily due to increased energy sales to residential, commercial and industrial customers. The decrease year-to-date was primarily due to decreased energy sales to residential customers. For non-traditional business, purchased power expenses rose 466.9% and 225.8% for the quarter and year-to-date 1997. These increases are primarily due to the power purchasing activities of Southern Energy's energy marketing organization. These power purchases rose by $866 million for the quarter and $1.288 billion year-to-date.

Depreciation and amortization expense. Depreciation and amortization expense of the traditional core business for the quarter and year-to-date increased compared to the corresponding periods in 1996. These increases can be attributed primarily to additional depreciation charges of $76.7 million and $104.9 million, respectively for the quarter and year-to-date 1997 pursuant to GEORGIA's retail accounting order as discussed in Note (L) in the "Notes to the Condensed Financial Statements" herein. Additions to utility plant further contributed to the increase in depreciation and amortization for the quarter and year-to-date 1997. The acquisition of CEPA is the primary cause for the increases in non-traditional business depreciation and amortization expense for the quarter and year-to-date. These expenses increased by $23.6 million and $63.0 million for the respective periods.

Taxes other than income taxes. Taxes other than income taxes decreased for the third quarter and year-to-date 1997 when compared to the same periods of 1996 primarily due to reductions of $17.7 million for the quarter and $51.4 million year-to-date attributable to SWEB. These decreases resulted from the lowering, in November 1996, of the taxes on electricity sales in the United Kingdom from 10% to 3.7%.

Interest income. The increase in interest income for the quarter and year-to-date as compared to the corresponding periods of 1996, is due to a $14.2 million increase for the quarter and a $33.4 million increase year-to-date in interest income for the non-traditional business, primarily CEPA.

Income taxes applicable to other income The decreases for the quarter and year-to-date 1997 when compared to the same periods in 1996 is primarily due to increased tax benefits from increased interest expense at the corporate level and to taxes relating to the sale, in July 1996, of a 25% interest in SWEB

United Kingdom Windfall Profit Tax. This item represents 100% of the Windfall Profit Tax applicable to SWEB before giving effect to a 25% minority interest ownership. See Note (R) in the "Notes to the Condensed Financial Statements" herein for further details.

Interest on long-term debt. Interest on long-term debt for the quarter and year-to-date 1997 compared to the same periods of 1996, increased primarily due to the CEPA acquisition. Southern Energy's interest on long-term debt increased $43.3 million for the quarter and $92.6 million year-to-date 1997 compared to the corresponding periods in 1996, mainly as a result of that acquisition.

Interest on notes payable. The decreases for the quarter and year-to-date when compared to the same periods of 1996, is primarily due to a reduction in the amount of notes payable outstanding for the non-traditional business.

Minority interest in subsidiaries. The decrease in minority interest for the quarter results from the recording of the effect of the windfall profit tax. Such tax also affected year-to-date 1997 results, however, its effect was somewhat offset due to minority interests in other consolidated subsidiaries

Distributions on capital and preferred securities of subsidiaries This increase for the quarter and year-to-date 1997 resulted from the sales of securities in 1996 and the first half of 1997. See Note (I) in the "Notes to the Condensed Financial Statements" herein for additional information

Preferred dividends of subsidiary companies. The decrease in this item for the quarter and year-to-date when compared to the corresponding periods in 1997 is due to redemptions of preferred stock, including redemptions during the first, second and third quarters of 1997. See "Financing Activities" herein for additional information.

Future Earnings Potential

The results of operations discussed above are not necessarily indicative of future earnings potential. The level of future earnings depends on numerous factors ranging from energy sales growth to a less regulated, more competitive environment, with non-traditional business becoming more significant

On September 29, 1997, SOUTHERN, through Southern Energy, completed its purchase of 26% of the outstanding common stock of Berliner Kraft und Licht AG (Bewag), the vertically integrated electric utility that serves Berlin, Germany, for approximately $820 million. That investment is accounted for under the equity method.

In July 1997, Southern Energy entered into an agreement to acquire Hopewell Holdings Limited's (Hopewell) 19.99% share of CEPA. Under this agreement, which closed on August 13, 1997, Southern Energy bought from Hopewell its CEPA shares in exchange for $150 million and CEPA's 80% interest in the Tanjung Jati B Project. The Tanjung Jati B Project is a 1,320 megawatt coal-fired power station under development in Central Java, Indonesia. As a result of the transaction, Southern Energy now owns over 99.9% of CEPA's shares.

In August 1997, Southern Energy entered into an agreement with Vastar Resources Inc. (Vastar) providing for the organization of a limited partnership to which the parties are to contribute their gas and power trading and marketing businesses. Southern Energy and Vastar initially acquired indirect ownership interests of 60% and 40%, respectively, of the new entity. In September 1997, Southern Energy contributed its gas marketing operations to the partnership and made a cash payment of $40 million into escrow for Vastar's account.

For additional information relating to non-traditional business activities, including information relating to the acquisition of Southern Energy's interest in CEPA, see Item 1 - BUSINESS - "New Business Development" in the Form 10-K.

With the enactment of the Energy Act and new legislation being discussed at federal and state levels to expand customer choice, SOUTHERN is positioning the business to meet the challenge of increasing competition. For additional information, see Item 1 - BUSINESS - "Competition" and Item 7 - MANAGEMENT'S DISCUSSION AND ANALYSIS - "Future Earnings Potential" of SOUTHERN in the Form 10-K.

Compliance costs related to the Clean Air Act could affect earnings if such costs cannot be offset. For additional information about the Clean Air Act and other environmental issues, see Item 7 - MANAGEMENT'S DISCUSSION AND ANALYSIS - "Environmental Matters" of SOUTHERN in the Form 10-K.

In July 1997, the United States Environmental Protection Agency ("EPA") published revisions to the ambient air quality standards for ozone and particulate matter, making the standards significantly more stringent. In addition, in October 1997, EPA issued a proposed rule which, if implemented as proposed, would require substantial further reductions in NOx emissions from fossil-fueled generating facilities. Implementation of the above-described standards and proposed rules would result in increased compliance costs and capital expenditures for the operating companies in amounts that cannot be determined at this time.

In February, 1997, the FASB issued Statement No. 128, Earnings Per Share. The standard simplifies the computation of earnings per share (EPS) required by existing rules. SOUTHERN will adopt this standard on December 31, 1997. If EPS amounts were computed as specified by Statement No. 128, basic EPS and diluted EPS would be equal, and would equal the amounts currently reported in the "Condensed Statements of Income."

In June 1997, the FASB issued Statement No. 130, Reporting Comprehensive Income, which establishes standards for reporting and display of "comprehensive income," which is the total of net income and all other non-owner changes in stockholders' equity, and its components. SOUTHERN will adopt the standard in 1998.

In June 1997, the FASB issued Statement No. 131, Disclosures about Segments of an Enterprise and Related Information. Statement No. 131, which supersedes Statement Nos. 14, 18, 24 and 30, establishes new standards for segment reporting, using the "management approach," in which reportable segments are based on the same criteria on which management disaggregates a business for making operating decisions and assessing performance. SOUTHERN is in the process of evaluating Statement No. 131 and its impact and will adopt the standard by 1998.

Reference is made to Notes (B), (C), (D), (G), (J), (K), (L), (M), (N) and (P) in the "Notes to the Condensed Financial Statements" herein for discussion of various contingencies and other matters which may affect future earnings potential. Reference is also made to Part II - Item 1 - "Legal Proceedings" herein.

FINANCIAL CONDITION

Overview

Major changes in SOUTHERN's financial condition during the first nine months of 1997 included the addition of approximately $1.2 billion to utility plant and the acquisition of CEPA. The funds for these additions and other capital requirements were from operations and sales of securities. See SOUTHERN's Condensed Statements of Cash Flows for further details.

Financing Activities

During the first nine months of 1997, retirements of the operating companies' first mortgage bonds totaled $109 million and redemptions of preferred stock totaled $428 million. Subsidiaries of SOUTHERN, ALABAMA, GEORGIA, GULF and MISSISSIPPI have formed statutory business trusts which sold, during the first nine months of 1997, an aggregate of $1.3 billion of trust preferred or capital securities. See Note (I) in the "Notes to the Condensed Financial Statements" herein for further details.

During the first nine months of 1997, SOUTHERN raised $271 million from the issuance of new common stock under SOUTHERN's various stock plans. The market price of SOUTHERN's common stock at September 30, 1997 was $22.5625 per share and the book value was $13.90 per share, representing a market-to-book ratio of 162%, compared to $22.625, $13.61 and 166%, respectively, at the end of 1996. The dividend for the third quarter of 1997 was $0.325 per share.

Capital Requirements

Reference is made to Item 7 - MANAGEMENT'S DISCUSSION AND ANALYSIS of SOUTHERN under "Capital Requirements for Construction," "Environmental Matters" and "Other Capital Requirements" in the Form 10-K for a description of the Southern electric system's capital requirements for its construction program, environmental compliance efforts, sinking fund requirements and maturing debt. Approximately $709 million will be required by September 30, 1998, for present sinking fund requirements, redemption of preferred stock and redemptions and maturities of long-term debt. Also, the operating companies plan to continue, to the extent possible, a program to retire higher-cost debt and preferred stock and replace these securities with lower-cost capital.

Sources of Capital

In addition to the financing activities previously described, SOUTHERN may require additional equity capital during the remainder of the year. The amounts and timing of additional equity capital to be raised in 1997, as well as in subsequent years, will be contingent on SOUTHERN's investment opportunities. The operating companies plan to obtain the funds required for construction and other purposes from sources similar to those used in the past. The amount, type and timing of any financings--if needed--will depend upon maintenance of adequate earnings, regulatory approval, prevailing market conditions and other factors. Currently, each of the operating companies expects to have adequate earnings coverage ratios for any anticipated security sales through at least 1999. See Item 1 - BUSINESS - "Financing Programs" in the Form 10-K for additional information.

To meet short-term cash needs and contingencies, the SOUTHERN system had at September 30, 1997, approximately $620 million of cash and cash equivalents and approximately $4,265 million of unused credit arrangements with banks (including $1,160 million of such arrangements under which borrowings may be made only to fund purchase obligations of the operating companies relating to variable rate pollution control bonds). At September 30, 1997, the system companies had outstanding approximately $218 million of short-term notes payable and $1,653 million of commercial paper. Since SOUTHERN's construction program with respect to major generating projects in the traditional core business has been completed, management believes that the need for working capital can be adequately met by utilizing lines of credit without maintaining large cash balances.

See Note (D) in the "Notes to the Condensed Financial Statements" herein for discussion of financial derivative contracts entered into by SOUTHERN.

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ALABAMA POWER COMPANY

ALABAMA POWER COMPANY
CONDENSED STATEMENTS OF INCOME (UNAUDITED)
(Stated in Thousands of Dollars)

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	1997	1996	1997	1996
OPERATING REVENUES:				
Revenues	$ 932,313	$ 869,950	$ 2,289,637	$ 2,253,194
Revenues from affiliates	30,133	43,358	105,666	172,510
Total operating revenues	962,446	913,308	2,395,303	2,425,704
OPERATING EXPENSES:				
Operation--				
Fuel	53,645	245,386	660,216	668,034
Purchased power from non-affiliates	25,036	11,795	33,180	31,651
Purchased power from affiliates	25,313	27,502	70,822	67,365
Other	125,618	124,623	367,622	375,808
Maintenance	47,171	62,361	193,668	193,354
Depreciation and amortization	82,346	80,142	247,628	239,859
Taxes other than income taxes	43,161	46,507	138,553	140,244
Federal and state income taxes	110,669	92,469	184,922	193,141
Total operating expenses	712,959	690,785	1,896,611	1,909,456
OPERATING INCOME	249,487	222,523	498,692	516,248
OTHER INCOME (EXPENSE):				
Allowance for equity funds used during construction	-	161	-	594
Income from subsidiary	876	944	2,861	2,885
Interest income	7,879	6,521	25,626	21,506
Other, net	(5,993)	(7,907)	(20,642)	(30,526)
Income taxes applicable to other income	7,033	1,368	7,419	15,463
INCOME BEFORE INTEREST CHARGES	259,282	223,610	511,956	526,170
INTEREST CHARGES AND OTHER:				
Interest on long-term debt	41,618	42,179	124,846	127,067
Allowance for debt funds used during construction	(299)	(1,390)	(2,679)	(5,112)
Interest on interim obligations	7,144	5,374	18,016	16,852
Amortization of deb. discount, premium and expense, net	2,403	10,165	7,201	19,809
Other interest charges	7,382	6,221	21,345	21,179
Distributions on preferred securities of subsidiary trusts	5,588	1,788	16,174	4,928
Total interest charges and other	63,836	64,337	184,903	184,723
NET INCOME	195,446	159,273	327,053	341,447
DIVIDENDS ON PREFERRED STOCK	3,646	6,684	14,309	19,921
NET INCOME AFTER DIVIDENDS ON PREFERRED STOCK	$ 191,800	$ 152,589	$ 312,744	$ 321,526

The accompanying notes as they relate to ALABAMA are an integral part of these condensed statements

ALABAMA POWER COMPANY
CONDENSED STATEMENTS OF CASH FLOWS (UNAUDITED)
(Stated in Thousands of Dollars)

	For the Nine Months Ended September 30, 1997	1996
OPERATING ACTIVITIES:		
Net income	$ 327,053	$ 341,447
Adjustments to reconcile net income to net cash provided by operating activities--		
Depreciation and amortization	294,436	303,893
Deferred income taxes and investment tax credits, net	1,147	(50)
Allowance for equity funds used during construction	-	(594)
Other, net	(911)	22,666
Changes in certain current assets and liabilities--		
Receivables, net	(75,636)	(39,366)
Inventories	2,439	40,621
Prepayments	(37,607)	(27,527)
Payables	(76,033)	(71,740)
Taxes accrued	114,784	81,314
Energy cost recovery, retail	(3,015)	25,186
Other	(17,027)	(9,764)
Net cash provided from operating activities	529,630	666,086
INVESTING ACTIVITIES:		
Gross property additions	(290,200)	(325,313)
Other	(32,258)	(34,838)
Net cash used for investing activities	(322,458)	(360,151)
FINANCING ACTIVITIES:		
Proceeds--		
Company obligated mandatorily redeemable preferred securities	200,000	97,000
Retirements--		
Preferred stock	(162,000)	-
First mortgage bonds	(19,801)	(83,797)
Other long-term debt	(693)	(706)
Interim obligations, net	55,083	(58,637)
Payment of preferred stock dividends	(17,027)	(19,945)
Payment of common stock dividends	(251,800)	(228,800)
Miscellaneous	(6,407)	(3,042)
Net cash used for financing activities	(202,645)	(297,927)
NET CHANGE IN CASH AND CASH EQUIVALENTS	4,527	8,008
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	9,587	12,616
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 14,114	$ 20,624
SUPPLEMENTAL CASH FLOW INFORMATION:		
Cash paid during the period for--		
Interest (net of amount capitalized)	$ 162,897	$ 152,197
Income taxes	97,705	135,370

The accompanying notes as they relate to ALABAMA are an integral part of these condensed statements

ALABAMA POWER COMPANY
CONDENSED BALANCE SHEETS
(Stated in Thousands of Dollars)

ASSETS

	At September 30, 1997 (Unaudited)	At December 31, 1996
UTILITY PLANT:		
Plant in service	$ 10,981,995	$ 10,806,921
Less accumulated provision for depreciation	4,322,467	4,113,622
	6,659,528	6,693,299
Nuclear fuel, at amortized cost	89,597	123,862
Construction work in progress	298,087	256,802
Total	7,047,212	7,073,963
OTHER PROPERTY AND INVESTMENTS:		
Southern Electric Generating Company, at equity	25,093	26,032
Nuclear decommissioning trusts	173,558	148,760
Miscellaneous	21,844	20,243
Total	220,495	195,035
CURRENT ASSETS:		
Cash and cash equivalents	14,114	9,587
Receivables--		
Customer accounts receivable	400,392	334,150
Other accounts and notes receivable	50,128	28,524
Affiliated companies	42,318	47,630
Accumulated provision for uncollectible accounts	(2,213)	(1,171)
Refundable income taxes	-	5,856
Fossil fuel stock, at average cost	90,611	81,704
Materials and supplies, at average cost	156,446	167,792
Prepayments	169,477	131,870
Vacation pay deferred	27,083	28,369
Total	948,356	834,311
DEFERRED CHARGES:		
Deferred charges related to income taxes	407,858	410,010
Debt expense, being amortized	7,399	7,398
Premium on reacquired debt, being amortized	79,245	84,149
Uranium enrichment decontamination and decommissioning fund	37,490	37,490
Miscellaneous	95,940	91,490
Total	627,932	630,537
TOTAL ASSETS	$ 8,843,995	$ 8,733,846

The accompanying notes as they relate to ALABAMA are an integral part of these condensed statements

ALABAMA POWER COMPANY
CONDENSED BALANCE SHEETS
(Stated in Thousands of Dollars)

CAPITALIZATION AND LIABILITIES

	At September 30, 1997 (Unaudited)	At December 31, 1996
CAPITALIZATION:		
Common stock equity--		
Common stock (par value $40 per share)--		
authorized 6,000,000 shares; outstanding 5,608,955 shares	$ 224,358	$ 224,358
Paid-in capital	1,304,645	1,304,645
Premium on preferred stock	99	146
Retained earnings	1,246,219	1,185,128
	2,775,321	2,714,277
Preferred stock	278,400	340,400
Company obligated mandatorily redeemable preferred securities of subsidiary trusts holding Company Junior Subordinated Notes (Note I)	297,000	97,000
Long-term debt	2,219,594	2,354,006
Total	5,570,315	5,505,683
CURRENT LIABILITIES:		
Preferred stock due within one year	-	100,000
Long-term debt due within one year	130,576	20,753
Commercial paper	419,936	364,853
Accounts payable--		
Affiliated companies	65,950	64,307
Other	102,620	182,563
Customer deposits	34,410	32,003
Taxes accrued--		
Federal and state income	98,660	35,638
Other	57,259	15,271
Interest accrued	46,645	51,941
Vacation pay accrued	27,083	28,369
Miscellaneous	76,513	96,485
Total	1,059,652	992,183
DEFERRED CREDITS AND OTHER LIABILITIES:		
Accumulated deferred income taxes	1,199,126	1,177,687
Accumulated deferred investment tax credits	285,664	294,071
Prepaid capacity revenues, net	113,206	122,496
Uranium enrichment decontamination and decommissioning fund	33,741	33,741
Deferred credits related to income taxes	352,121	364,792
Natural disaster reserve	21,809	20,757
Miscellaneous	208,361	222,436
Total	2,214,028	2,235,980
TOTAL CAPITALIZATION AND LIABILITIES	$ 8,843,995	$ 8,733,846

The accompanying notes as they relate to ALABAMA are an integral part of these condensed statements.

ALABAMA POWER COMPANY
MANAGEMENT'S DISCUSSION AND ANALYSIS OF
RESULTS OF OPERATIONS AND FINANCIAL CONDITION

THIRD QUARTER 1997 vs. THIRD QUARTER 1996
AND
YEAR-TO-DATE 1997 vs. YEAR-TO-DATE 1996

RESULTS OF OPERATIONS

Earnings

ALABAMA's net income after dividends on preferred stock for the third quarter and year-to-date 1997 was $191.8 million and $312.7 million, respectively, compared to $152.6 million and $321.5 million for the corresponding periods of 1996. Earnings increased 25.7% for this quarter due primarily to a rise in energy sales. Year-to-date earnings decreased 2.7% when compared to the corresponding period in 1996 due mainly to milder-than-normal temperatures during the first half of 1997.

Significant income statement items appropriate for discussion include the following:

	Increase (Decrease)			
	Third Quarter		Year-To-Date	
	(in thousands)	%	(in thousands)	%
Revenues	$62,363	7.2	$36,493	1.6
Revenues from affiliates	(13,225)	(30.5)	(66,844)	(38.7)
Purchased power from non-affiliates	13,241	112.3	1,529	4.8
Maintenance	(15,190)	(24.4)	314	0.2
Income taxes applicable to other income	5,665	414.1	(8,044)	(52.0)
Amortization of debt discount, premium and expense net	(7,762)	(76.4)	(12,608)	(63.6)
Distributions on preferred securities of subsidiary trusts	3,800	212.5	11,246	228.2
Dividends on preferred stock	(3,038)	(45.5)	(5,612)	(28.2)

Revenues. Excluding fuel revenues, which represent the pass-through of fuel expenses and do not affect net income, revenues for the third quarter increased $28.7 million and decreased for year-to-date 1997 $27.8 million, compared to the corresponding periods of 1996. The increase in third quarter revenues can be attributed primarily to a 6.7% increase in total retail energy sales. The increase in retail energy sales is due primarily to relatively normal weather compared to milder weather in the third quarter of 1996. Energy sales to residential, commercial, and industrial customers were up by 5.8%, 6.3% and 7.7%, respectively for the quarter. The drop in year-to-date revenues resulted primarily from decreases in prices charged to industrial and commercial customers and a decrease in energy sales to residential customers of 5.2%. The decrease in energy sales to residential customers is primarily due to milder-than-normal temperatures during the first half of 1997.

Revenues from affiliates. Revenues from sales to affiliated companies within the Southern electric system will vary from period to period depending on demand, the availability, and cost of generating resources at each company. These transactions did not have a significant impact on earnings.

Purchased power from non-affiliates. The increase for the quarter compared to the corresponding period of 1996 resulted primarily from increased purchases in connection with power marketing activities, the majority of which were resold to non-affiliated third parties. These transactions had no significant effect on net income.

Maintenance expense. The decrease during the third quarter when compared to the same period in 1996 was due to the reclassification in 1996 of expenses charged to operations and the write-off of obsolete steam generating plant inventory, accompanied by overall cost reduction efforts in 1997.

Income taxes applicable to other income. This increase for the quarter when compared to the corresponding period in 1996 is primarily a result of increased tax benefits from losses of the parent company allocated to ALABAMA under the joint consolidated income tax agreement between SOUTHERN and its subsidiaries. The year-to-date decrease in income taxes applicable to other income can be attributed to ALABAMA's donation, in June 1996, of certain nonutility property which resulted in a reduction of income taxes applicable to other income of approximately $10.6 million.

Amortization of debt discount, premium and expense, net. The decrease in this item for the current quarter and year-to-date compared to the same periods of 1996 is the result of ALABAMA's reducing the asset account related to premiums incurred in connection with the refinancing of high cost debt by $5.0 million and $8.0 million in February and July 1996, respectively, as allowed by the Alabama PSC. See Note (J) in the "Notes to the Condensed Financial Statements herein for further details.

Distributions on preferred securities of subsidiary trusts. The change in this item resulted primarily from the issuance of additional mandatorily redeemable preferred securities. For additional information, see Item 7 - MANAGEMENT'S DISCUSSION AND ANALYSIS - "Capital Structure" of ALABAMA in the Form 10-K.

Dividends on preferred stock. The decrease for the quarter and year-to-date 1997, compared to the corresponding periods of 1996, resulted from redemptions of preferred stock in the first nine months of 1997.

Future Earnings Potential

The results of operations discussed above are not necessarily indicative of future earnings potential. The level of future earnings depends on numerous factors ranging from energy sales growth to a less regulated, more competitive environment.

With the enactment of the Energy Act and new legislation being discussed at federal and state levels to expand customer choice, the Southern electric system is positioning the business to meet the challenge of increasing competition. For additional information, see Item 1 - BUSINESS - "Competition" and Item 7 - MANAGEMENT'S DISCUSSION AND ANALYSIS - "Future Earnings Potential" of ALABAMA in the Form 10-K.

Compliance costs related to the Clean Air Act could affect earnings if such costs cannot be offset. For additional information about the Clean Air Act and other environmental issues, see Item 7 - MANAGEMENT'S DISCUSSION AND ANALYSIS - "Environmental Matters" of ALABAMA in the Form 10-K.

In July 1997, the United States Environmental Protection Agency ("EPA") published revisions to the ambient air quality standards for ozone and particulate matter, making the standards significantly more stringent. In addition, in October 1997, EPA issued a proposed rule which, if implemented as proposed, would require substantial further reductions in NOx emissions from fossil-fueled generating facilities. Implementation of the above-described standards and proposed rules would result in increased compliance costs and capital expenditures for the operating companies in amounts that cannot be determined at this time.

In June 1997, the FASB issued Statement No. 130, Reporting Comprehensive Income, which establishes standards for reporting and display of "comprehensive income," which is the total of net income and all other non-owner changes in stockholders' equity, and its components. The standard is effective in 1998. It is not expected to affect ALABAMA's financial reporting.

In June 1997, the FASB issued Statement No. 131, Disclosures about Segments of an Enterprise and Related Information. Statement No. 131, which supersedes Statement Nos. 14, 18, 24 and 30, establishes new standards for segment reporting, using the "management approach," in which reportable segments are based on the same criteria on which management disaggregates a business for making operating decisions and assessing performance. ALABAMA is in the process of evaluating Statement No. 131 and its impact and will adopt the standard by 1998.

Reference is made to Notes (B), (C), (G), (H), (J) and (K) in the "Notes to the Condensed Financial Statements" herein for discussion of various contingencies and other matters which may affect future earnings potential. Reference is also made to Part II - Item 1 - "Legal Proceedings" herein.

FINANCIAL CONDITION

Overview

Major changes in ALABAMA's financial condition during the first nine months of 1997 included the addition of approximately $290.2 million to utility plant. The funds for these additions and other capital requirements were derived primarily from operating activities. See ALABAMA's Condensed Statements of Cash Flows for further details.

Financing Activities

During the first nine months of 1997, redemptions of first mortgage bonds and preferred stock of ALABAMA totaled $181.8 million. Also, Alabama Power Capital Trust II, a statutory business trust organized for the purpose of holding ALABAMA's junior subordinated notes and issuing trust preferred securities and common securities, sold $200.0 million of its 7.60% trust originated preferred securities which are guaranteed by ALABAMA. For additional information, see Note (I) in the "Notes to the Condensed Financial Statements" and Item 7 - MANAGEMENT'S DISCUSSION AND ANALYSIS - "Capital Structure" of ALABAMA in the Form 10-K. In addition, ALABAMA has announced its plans to redeem an aggregate of approximately $80.0 million of first mortgage bonds in November 1997 and January 1998.

ALABAMA will continue to retire higher-cost debt and preferred stock and replace these securities with lower-cost capital, if market conditions permit.

Capital Requirements

Capital expenditures are estimated to be $463 million for 1997, $615 million for 1998, and $723 million for 1999. The total is $1.8 billion for the three years. Actual capital costs may vary from this estimate because of factors such as changes in business conditions; revised load growth projections; changes in environmental regulations; changes in the existing nuclear plant to meet new regulatory requirements; increasing cost of labor, equipment, and materials; and cost of capital. In addition, there can be no assurance that costs related to capital expenditures will be fully recovered.

ALABAMA will replace all six steam generators at Plant Farley at a total cost of approximately $202 million. Additionally, subject to requisite regulatory approval, ALABAMA plans to construct and install new generating capacity and transmission facilities at Plant Barry. The increase in projected capital expenditures for this project is approximately $85 million.

Reference is made to Item 7 - MANAGEMENT'S DISCUSSION AND ANALYSIS of ALABAMA under "Capital Requirements," "Other Capital Requirements" and "Environmental Matters" in the Form 10-K for a description of ALABAMA's capital requirements for its construction program, maturing debt and environmental compliance efforts.

Sources of Capital

In addition to the financing activities previously described herein, ALABAMA plans to obtain the funds required for construction and other purposes from sources similar to those used in the past. The amount, type and timing of any financings--if needed--will depend upon maintenance of adequate earnings, regulatory approval, prevailing market conditions and other factors. Currently, ALABAMA expects to have adequate earnings coverage ratios for any anticipated security sales through at least 1999. See Item 1 - BUSINESS - "Financing Programs" in the Form 10-K for additional information.

To meet short-term cash needs and contingencies, ALABAMA had at September 30, 1997, approximately $14.1 million of cash and cash equivalents and had unused committed lines of credit of approximately $813.6 million (including $208.2 million of such lines under which borrowings may be made only to fund purchase obligations relating to variable rate pollution control bonds) with regulatory authority for up to $750 million of short-term borrowings. At September 30, 1997, ALABAMA had no outstanding short-term notes payable to banks and $419.9 million of commercial paper.

ARTHUR ANDERSEN LLP

Exhibit 1

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

TO ALABAMA POWER COMPANY:

We have reviewed the accompanying condensed balance sheet of ALABAMA POWER COMPANY as of September 30, 1997, and the related condensed statements of income and cash flows for the three-month and nine-month periods ended September 30, 1997 and 1996. These financial statements are the responsibility of the Company's management.

We conducted our review in accordance with standards established by the American Institute of Certified Public Accountants. A review of interim financial information consists principally of applying analytical procedures to financial data and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the financial statements referred to above for them to be in conformity with generally accepted accounting principles.

We have previously audited, in accordance with generally accepted auditing standards, the balance sheet of ALABAMA POWER COMPANY as of December 31, 1996 (not presented herein) and, in our report dated February 12, 1997, we expressed an unqualified opinion on that statement. In our opinion, the information set forth in the accompanying condensed balance sheet as of December 31, 1996 is fairly stated, in all material respects, in relation to the balance sheet from which it has been derived.

Arthur Andersen LLP

Birmingham, Alabama
November 7, 1997

GEORGIA POWER COMPANY

GEORGIA POWER COMPANY
CONDENSED STATEMENTS OF INCOME (UNAUDITED)
(Stated in Thousands of Dollars)

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	1997	1996	1997	1996
OPERATING REVENUES:				
Revenues	$ 1,396,896	$ 1,303,783	$ 3,352,311	$ 3,444,445
Revenues from affiliates	9,736	7,044	28,379	29,367
Total operating revenues	1,406,632	1,310,827	3,380,690	3,473,812
OPERATING EXPENSES:				
Operation--				
Fuel	276,814	245,635	657,443	648,320
Purchased power from non-affiliates	54,624	46,563	113,293	124,335
Purchased power from affiliates	45,148	51,592	118,732	174,349
Provision for separation benefits (Note H)	1,641	7,947	4,512	34,821
Other	178,451	171,032	490,337	532,035
Maintenance	71,565	65,014	225,852	217,617
Depreciation and amortization	187,710	108,556	434,537	323,824
Amortization of deferred Plant Vogtle costs (Note M)	37,580	34,077	112,791	101,070
Taxes other than income taxes	55,829	56,725	159,846	163,585
Federal and state income taxes	179,637	184,787	361,037	390,026
Total operating expenses	1,088,999	971,928	2,678,380	2,709,982
OPERATING INCOME	317,633	338,899	702,310	763,830
OTHER INCOME (EXPENSE):				
Allowance for equity funds used during construction	2,610	912	',849	1,167
Equity in earnings of unconsolidated subsidiary	876	944	2,861	2,885
Interest income	3,317	1,002	6,187	?,916
Other, net	(8,330)	(20,281)	(19,180)	(29,671)
Income taxes applicable to other income	14,739	7,800	18,706	10,326
INCOME BEFORE INTEREST CHARGES	330,845	329,276	714,733	752,453
INTEREST CHARGES AND OTHER:				
Interest on long-term debt	48,092	51,492	146,904	157,602
Allowance for debt funds used during construction	(1,500)	(2,724)	(7,426)	(9,215)
Interest on interim obligations	356	3,500	6,794	14,657
Amortization of debt discount, premium and expense, net	3,388	3,597	10,879	11,069
Other interest charges	4,332	3,122	10,.16	11,370
Distributions on preferred securities of subsidiary companies	13,601	2,395	33,767	6,895
Interest charges and other, net	68,269	61,382	201,234	192,378
NET INCOME	262,576	267,894	513,499	560,075
DIVIDENDS ON PREFERRED STOCK	5,132	12,415	19,510	35,906
NET INCOME AFTER DIVIDENDS ON PREFERRED STOCK	$ 257,444	$ 255,479	$ 493,989	$ 524,169

The accompanying notes as they relate to GEORGIA are an integral part of these condensed statements

GEORGIA POWER COMPANY
CONDENSED STATEMENTS OF CASH FLOWS (UNAUDITED)
(Stated in Thousands of Dollars)

	For the Nine Months Ended September 30, 1997	1996
OPERATING ACTIVITIES:		
Net income	$ 513,499	$ 560,075
Adjustments to reconcile net income to net cash provided by operating activities--		
Depreciation and amortization	519,380	384,726
Deferred income taxes and investment tax credits, net	(35,910)	45,883
Allowance for equity funds used during construction	(3,949)	(1,167)
Amortization of deferred Plant Vogtle costs (Note M)	112,791	101,070
Other, net	55,703	42,855
Changes in certain current assets and liabilities--		
Receivables, net	(62,023)	(55,008)
Inventories	27,651	27,632
Payables	(29,752)	(58,218)
Taxes accrued	159,873	125,462
Energy cost recovery, retail	(11,887)	(9,416)
Other	(41,386)	(15,161)
Net cash provided from operating activities	1,204,090	1,148,733
INVESTING ACTIVITIES:		
Gross property additions	(327,768)	(328,219)
Other	(20,831)	(49,167)
Net cash used for investing activities	(348,599)	(377,386)
FINANCING ACTIVITIES:		
Proceeds--		
Preferred securities	364,250	225,000
Pollution control bonds	284,700	112,825
First mortgage bonds	-	10,000
Retirements--		
Preferred stock	(191,940)	(78,897)
Pollution control bonds	(234,700)	(58,185)
First mortgage bonds	(60,258)	(210,860)
Special deposits - redemption funds	(5,546)	(61,480)
Interim obligations, net	(430,496)	(298,117)
Payment of preferred stock dividends	(21,665)	(35,705)
Payment of common stock dividends	(385,500)	(365,700)
Miscellaneous	(18,815)	(8,409)
Net cash used for financing activities	(699,970)	(769,528)
NET CHANGE IN CASH AND CASH EQUIVALENTS	155,521	1,819
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	15,356	28,930
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 170,877	$ 30,749
SUPPLEMENTAL CASH FLOW INFORMATION:		
Cash paid during the period for--		
Interest (net of amount capitalized)	$ 204,091	$ 199,603
Income taxes (net of refunds)	264,593	261,270

The accompanying notes as they relate to GEORGIA are an integral part of these condensed statements

GEORGIA POWER COMPANY
CONDENSED BALANCE SHEETS
(Stated in Thousands of Dollars)

ASSETS

	At September 30, 1997 (Unaudited)	At December 31, 1996
UTILITY PLANT:		
Plant in service	$ 14,982,122	$ 14,769,573
Less accumulated provision for depreciation	5,219,574	4,793,638
	9,762,548	9,975,935
Nuclear fuel, at amortized cost	112,537	121,840
Construction work in progress	256,423	256,141
Total	10,131,508	10,353,916
OTHER PROPERTY AND INVESTMENTS:		
Southern Electric Generating Company, at equity	25,093	26,032
Nuclear decommissioning trusts, at market	191,780	130,178
Miscellaneous	87,210	103,787
Total	304,083	259,997
CURRENT ASSETS:		
Cash and cash equivalents	170,877	15,356
Receivables--		
Customer accounts receivable	495,687	392,328
Other accounts and notes receivable	117,572	159,499
Affiliated companies	14,717	20,095
Accumulated provision for uncollectible accounts	(3,000)	(4,000)
Fossil fuel stock, at average cost	95,164	117,382
Materials and supplies, at average cost	253,387	258,820
Prepayments	91,199	109,771
Vacation pay deferred	39,746	39,965
Total	1,275,349	1,109,216
DEFERRED CHARGES:		
Deferred charges related to income taxes	763,247	818,418
Deferred Plant Vogtle costs (Note M)	58,198	170,988
Premium on reacquired debt, being amortized	167,354	166,670
Debt expense, being amortized	41,235	32,693
Miscellaneous	151,516	159,153
Total	1,181,550	1,347,922
TOTAL ASSETS	$ 12,892,490	$ 13,071,051

The accompanying notes as they relate to GEORGIA are an integral part of these condensed statements

GEORGIA POWER COMPANY
CONDENSED BALANCE SHEETS
(Stated in Thousands of Dollars)

CAPITALIZATION AND LIABILITIES

	At September 30, 1997 (Unaudited)	At December 31, 1996
CAPITALIZATION:		
Common stock equity--		
Common stock (without par value)--		
authorized 15,000,000 shares; outstanding 7,761,500 shares	$ 344,250	$ 344,250
Paid-in capital	2,134,971	2,134,886
Premium on preferred stock	371	371
Retained earnings	1,783,246	1,674,774
	4,262,838	4,154,281
Preferred stock	292,786	464,611
Company obligated mandatorily redeemable preferred securities of subsidiaries substantially all of whose assets are junior subordinated debentures or notes (Note 1)	689,250	325,000
Long-term debt	3,102,481	3,200,419
Total	8,347,355	8,144,311
CURRENT LIABILITIES:		
Preferred stock due within one year	28,913	49,028
Long-term debt due within one year	150,388	60,622
Notes payable to banks	-	207,300
Commercial paper	-	223,196
Accounts payable--		
Affiliated companies	74,009	66,821
Other	206,952	263,093
Customer deposits	68,320	64,901
Taxes accrued--		
Federal and state income	129,145	15,497
Other	146,886	100,661
Interest accrued	66,200	79,936
Vacation pay accrued	31,666	38,597
Miscellaneous	97,900	111,530
Total	1,000,379	1,284,182
DEFERRED CREDITS AND OTHER LIABILITIES:		
Accumulated deferred income taxes	2,415,183	2,522,945
Accumulated deferred investment tax credits	404,413	415,477
Deferred credits related to income taxes	363,810	382,381
Employee benefits provisions	184,873	186,319
Disallowed Plant Vogtle capacity buyback costs	56,316	57,250
Miscellaneous	120,161	78,186
Total	3,544,756	3,642,558
TOTAL CAPITALIZATION AND LIABILITIES	$ 12,892,490	$ 13,071,051

The accompanying notes as they relate to GEORGIA are an integral part of these condensed statements

GEORGIA POWER COMPANY
MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION

THIRD QUARTER 1997 vs. THIRD QUARTER 1996 AND YEAR-TO-DATE 1997 vs. YEAR-TO-DATE 1996

RESULTS OF OPERATIONS

Earnings

GEORGIA's net income after dividends on preferred stock for the third quarter and year-to-date 1997 was $257.4 million and $494.0 million, respectively, compared to $255.5 million and $524.2 million for the corresponding periods in 1996. Earnings for this quarter increased slightly above the same period in 1996 while year-to-date earnings decreased 5.8% compared to the same period in 1996. This year-to-date earnings decrease resulted primarily from lower revenues due to milder-than-normal weather and additional depreciation charges pursuant to a Georgia PSC retail accounting order discussed below.

Significant income statement items appropriate for discussion include the following:

	Increase (Decrease)			
	Third Quarter		Year-To-Date	
	(in thousands)	%	(in thousands)	%
Revenues	$93,113	7.1	$(92,134)	(2.7)
Revenues from affiliates	2,692	38.2	(988)	(3.4)
Fuel expense	31,179	12.7	9,123	1.4
Purchased power from non-affiliates	8,061	17.3	(11,042)	(8.9)
Purchased power from affiliates	(6,444)	(12.5)	(55,617)	(31.9)
Maintenance expense	6,551	10.1	8,235	3.8
Depreciation and amortization expense	79,154	72.9	110,713	34.2
Other, net	(11,951)	(58.9)	(10,491)	(35.4)
Income taxes applicable to other income	6,939	89.0	8,380	81.2
Distributions on preferred securities of subsidiary companies	11,206	467.9	26,872	389.7
Dividends on preferred stock	(7,283)	(58.7)	(16,396)	(45.7)

Revenues. Excluding fuel revenues, which represent the pass-through of fuel expenses and do not affect income, revenues for the third quarter of 1997 increased $62.4 million and for year-to-date 1997 decreased $45.7 million, compared to the corresponding periods of 1996. Retail revenues, excluding fuel revenues, increased 6.8%, or $63.7 million for the current quarter and decreased 1.7%, or $40.9 million year-to-date as compared to the corresponding periods of 1996. The increase in third quarter retail revenues was primarily due to increased energy sales to residential, commercial and industrial customers of 5.5%, 4.6% and 1.3%, respectively.

The decrease in year-to-date retail revenues can be attributed to lower energy sales in the residential sector as well as industrial customers taking advantage of load management rates. Year-to-date sales to residential customers dropped 5.7% while sales to commercial and industrial customers increased slightly by 0.5% and 1.5%, respectively. The year-to-date decrease in residential sales is a result of the milder-than-normal temperatures experienced during 1997.

Revenues from affiliates and *Purchased power from affiliates*. Revenues from sales to affiliated companies within the Southern electric system, as well as purchases of energy, will vary from period to period depending on demand and the availability and cost of generating resources at each company. These transactions do not have a significant impact on earnings.

Fuel expense. The increase for the current quarter is primarily due to increased generation resulting from higher energy sales.

Purchased power from non-affiliates. The current quarter increase in purchased power from non-affiliates is primarily due to an increase in energy purchases in connection with power marketing activities, the majority of which were resold to non-affiliated third parties. These transactions had no significant effect on net income.

Maintenance expense. The increase in the current quarter from the corresponding period of 1996 is primarily due to an increase in transmission and distribution line maintenance.

Depreciation and amortization expense. The increase in depreciation and amortization for the current quarter and year-to-date compared to the same period of 1996 is primarily due to additional depreciation charges of $76.7 million and $104.9 million, respectively, pursuant to a Georgia PSC retail accounting order discussed below. See "Future Earnings Potential" below and Note (L) in the "Notes to the Condensed Financial Statements" herein for further details.

Other, net. The decrease for the current quarter and year-to-date is primarily the result of expenses incurred in connection with activities related to the 1996 Summer Olympic games.

Income taxes applicable to other income. The change for the current quarter and year-to-date is primarily the result of increased tax benefits from losses of the parent company allocated to GEORGIA under the joint consolidated income tax agreement between SOUTHERN and its subsidiaries.

Distributions on preferred securities of subsidiary companies. The increase in this item resulted primarily from the issuance of additional mandatorily redeemable preferred securities in August 1996, January 1997 and June 1997. For additional information, see Item 7 - MANAGEMENT'S DISCUSSION AND ANALYSIS - "Financing Activities" of GEORGIA in the Form 10-K, and Note (I) in the "Notes to the Condensed Financial Statements" herein.

Dividends on preferred stock. The decrease in dividends on preferred stock for the current quarter and year-to-date results from the redemption of various issues of such securities.

Future Earnings Potential

The results of operations discussed above are not necessarily indicative of future earnings potential. The level of future earnings depends on numerous factors including regulatory matters and energy sales.

With the enactment of the Energy Act and new legislation being discussed at federal and state levels to expand customer choice, the Southern electric system is positioning the business to meet the challenge of increasing competition. For additional information, see Item 1 - BUSINESS - "Competition" and Item 7 - MANAGEMENT'S DISCUSSION AND ANALYSIS - "Future Earnings Potential" of GEORGIA in the Form 10-K.

Effective January 1, 1996, GEORGIA began operating under a three-year retail accounting order Under the order, GEORGIA's earnings are evaluated against a retail return on common equity range of 10% to 12 5%. GEORGIA is required to absorb cost increases of approximately $29.0 million annually during the order's three-year operation, including $14.0 million annually of accelerated depreciation of electric plant Reference is made to Note (L) in the "Notes to the Condensed Financial Statements" herein for additional information

The staff of the Georgia PSC has issued a report regarding its prudence review of the Rocky Mountain pumped storage hydroelectric plant. Reference is made to Note (N) in the "Notes to the Condensed Financial Statements" herein for additional information.

Compliance costs related to the Clean Air Act could affect earnings if such costs cannot be offset For additional information about the Clean Air Act and other environmental issues, see Item 7 - MANAGEMENT'S DISCUSSION AND ANALYSIS - "Environmental Issues" of GEORGIA in the Form 10-K

In July 1997, the United States Environmental Protection Agency ("EPA") published revisions to the ambient air quality standards for ozone and particulate matter, making the standards significantly more stringent In addition, in October 1997, EPA issued a proposed rule which, if implemented as proposed, would require substantial further reductions in NOx emissions from fossil-fueled generating facilities Implementation of the above-described standards and proposed rules would result in increased compliance costs and capital expenditures for the operating companies in amounts that cannot be determined at this time

In June 1997, the FASB issued Statement No 130, Reporting Comprehensive Income, which establishes standards for reporting and display of "comprehensive income," which is the total of net income and all other non-owner changes in stockholders' equity, and its components The standard is effective in 1998 It is not expected to affect GEORGIA's financial reporting.

In June 1997, the FASB issued Statement No. 131, Disclosures about Segments of an Enterprise and Related Information. Statement No. 131, which supersedes Statement Nos 14, 18, 24 and 30, establishes new standards for segment reporting, using the "management approach," in which reportable segments are based on the same criteria on which management disaggregates a business for making operating decisions and assessing performance. GEORGIA is in the process of evaluating Statement No 131 and its impact and will adopt the standard by 1998.

Reference is made to Notes (B), (C), (G) and (L) through (P) in the "Notes to the Condensed Financial Statements" herein for discussion of various contingencies and other matters which may affect future earnings potential Reference is also made to Part II - Item 1 - "Legal Proceedings" herein

FINANCIAL CONDITION

Overview

The major change in GEORGIA's financial condition during the first nine months of 1997 was the addition of approximately $327.8 million to utility plant. The funds for these additions and other capital requirements were derived primarily from operations. See GEORGIA's Condensed Statements of Cash Flows for further details

Financing Activities

During the first nine months of 1997, maturities and redemptions of first mortgage bonds and preferred stock by GEORGIA totaled $252.2 million. In January 1997, Georgia Power Capital Trust II, a statutory business trust established for the purpose of holding GEORGIA's junior subordinated notes and issuing trust preferred securities and common securities, sold $175.0 million of its 7.60% trust preferred securities, which are guaranteed by GEORGIA. (See Note (I) in the " Notes to the Condensed Financial Statements" and Item 7 - MANAGEMENT'S DISCUSSION AND ANALYSIS - "Financing Activities" of GEORGIA in the Form 10-K for further details.)

In April 1997, GEORGIA sold, through public authorities, $90.0 million of variable rate pollution control revenue bonds due 2032. The proceeds were applied to the redemption on July 1, 1997 of $90.0 million outstanding principal amount of 8.375% pollution control revenue bonds.

In June 1997, Georgia Power Capital Trust III , a statutory business trust established for the purpose of holding GEORGIA's junior subordinated notes and issuing trust preferred securities and common securities, sold $189.3 million of its 7.75% quarterly income preferred securities, which are guaranteed by GEORGIA (See Note (I) in the " Notes to the Condensed Financial Statements" for further details.)

In September 1997, GEORGIA sold, through public authorities, $194.7 million of variable rate pollution control revenue bonds with $144.7 million due in 2029 and $50.0 million due in 2034. The proceeds were used to redeem $105.9 million aggregate principal amount of 6.20% pollution control revenue bonds and $38.8 million aggregate principal amount of 5.70% pollution control revenue bonds in September 1997. The remaining proceeds will be used to redeem $50.0 million aggregate principal amount of 9 3/8% pollution control revenue bonds in December 1997.

GEORGIA has announced the planned redemption of $28.9 million of preferred stock in December 1997.

GEORGIA plans to continue, to the extent possible, a program to retire higher-cost debt and preferred stock and replace these securities with lower-cost capital.

Capital Requirements

Reference is made to Item 7 - MANAGEMENT'S DISCUSSION AND ANALYSIS of GEORGIA under "Liquidity and Capital Requirements" and "Environmental Issues" in the Form 10-K for a description of GEORGIA's capital requirements for its construction program and environmental compliance efforts.

Sources of Capital

In addition to the financing activities previously described herein, GEORGIA plans to obtain the funds required for construction and other purposes from sources similar to those used in the past. The amount, type and timing of any financings--if needed--will depend upon maintenance of adequate earnings, regulatory approval, prevailing market conditions and other factors. Currently, GEORGIA expects to have adequate earnings coverage ratios for any anticipated security sales through at least 1999. See Item 1 - BUSINESS - "Financing Programs" in the Form 10-K for additional information.

To meet short-term cash needs and contingencies, GEORGIA had at September 30, 1997, approximately $170.9 million of cash and cash equivalents and approximately $1,143.9 million of unused credit arrangements with banks (including $878.9 million of such arrangements under which borrowings may be made only to fund purchase obligations relating to variable rate pollution control bonds). At September 30, 1997, GEORGIA had no outstanding short-term notes payable to banks or commercial paper. Since GEORGIA has no major generating plants under construction, management believes that the need for working capital can be adequately met by utilizing lines of credit without maintaining large cash balances

ARTHUR ANDERSEN LLP

Exhibit 1

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

TO GEORGIA POWER COMPANY:

We have reviewed the accompanying condensed balance sheet of GEORGIA POWER COMPANY (a Georgia corporation) as of September 30, 1997, and the related condensed statements of income and cash flows for the three-month and nine-month periods ended September 30, 1997 and 1996. These financial statements are the responsibility of the Company's management.

We conducted our review in accordance with standards established by the American Institute of Certified Public Accountants. A review of interim financial information consists principally of applying analytical procedures to financial data and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the financial statements referred to above for them to be in conformity with generally accepted accounting principles.

We have previously audited, in accordance with generally accepted auditing standards, the balance sheet of GEORGIA POWER COMPANY as of December 31, 1996 (not presented herein), and, in our report dated February 12, 1997, we expressed an unqualified opinion on that statement. In our opinion, the information set forth in the accompanying condensed balance sheet as of December 31, 1996, is fairly stated, in all material respects, in relation to the balance sheet from which it has been derived.

Arthur Andersen LLP

Atlanta, Georgia
November 7, 1997

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GULF POWER COMPANY

GULF POWER COMPANY
CONDENSED STATEMENTS OF INCOME (UNAUDITED)
(Stated in Thousands of Dollars)

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	1997	1996	1997	1996
OPERATING REVENUES:				
Revenues	$ 187,841	$ 173,993	$ 467,488	$ 477,986
Revenues from affiliates	5,869	5,626	12,888	10,375
Total operating revenues	193,710	179,619	480,376	488,361
OPERATING EXPENSES:				
Operation--				
Fuel	60,938	56,105	138,712	140,240
Purchased power from non-affiliates	6,908	2,941	9,697	6,804
Purchased power from affiliates	4,482	6,835	19,381	32,177
Other	31,414	28,324	93,241	83,062
Maintenance	9,731	8,998	32,532	38,360
Depreciation and amortization	14,470	14,199	43,362	42,373
Taxes other than income taxes	14,736	14,527	39,775	40,377
Federal and state income taxes	16,281	15,122	29,561	30,634
Total operating expenses	158,960	147,051	406,261	414,027
OPERATING INCOME	34,750	32,568	74,115	74,334
OTHER INCOME (EXPENSE):				
Allowance for equity funds used during construction	-	1	2	12
Interest income	387	376	895	1,142
Other, net	(81)	(294)	(274)	(1,041)
Income taxes applicable to other income	979	(74)	758	(167)
INCOME BEFORE INTEREST CHARGES	36,035	32,577	75,496	74,280
INTEREST CHARGES AND OTHER:				
Interest on long-term debt	5,691	5,880	16,978	18,264
Other interest charges	438	288	1,960	793
Interest on notes payable	242	716	764	1,845
Amortization of debt discount, premium, and expense, net	592	524	1,728	1,567
Allowance for debt funds used during construction	-	(3)	(6)	(61)
Distributions on preferred securities of subsidiary trust	765	-	2,042	-
Interest charges and other, net	7,726	7,405	23,466	22,408
NET INCOME	28,309	25,172	52,030	51,872
DIVIDENDS ON PREFERRED STOCK	825	1,451	3,420	4,312
NET INCOME AFTER DIVIDENDS ON PREFERRED STOCK	$ 27,484	$ 23,721	$ 48,610	$ 47,560

The accompanying notes as they relate to GULF are an integral part of these condensed statements

GULF POWER COMPANY
CONDENSED STATEMENTS OF CASH FLOWS (UNAUDITED)
(Stated in Thousands of Dollars)

	For the Nine Months Ended September 30, 1997	1996
OPERATING ACTIVITIES:		
Net income	$ 52,030	$ 51,872
Adjustments to reconcile net income to net cash provided by operating activities--		
Depreciation and amortization	54,642	56,903
Deferred income taxes	(3,573)	559
Allowance for equity funds used during construction	(2)	(12)
Deferred costs of 1995 coal contract renegotiation	1,246	7,172
Other, net	3,522	5,841
Changes in certain current assets and liabilities--		
Receivables, net	(7,590)	(7,868)
Inventories	8,610	14,132
Payables	1,531	(9,553)
Taxes accrued	23,368	16,987
Current costs of 1995 coal contract renegotiation	10,529	(5,157)
Other	(5,043)	(3,000)
Net cash provided from operating activities	139,270	127,876
INVESTING ACTIVITIES:		
Gross property additions	(31,968)	(49,747)
Other	(1,709)	(3,533)
Net cash used for investing activities	(33,677)	(53,280)
FINANCING ACTIVITIES:		
Proceeds--		
Preferred securities	40,000	-
First mortgage bonds	-	30,000
Pollution control bonds	40,930	33,275
Other long-term debt	20,000	22,148
Retirements--		
Preferred stock	(39,500)	-
First mortgage bonds	(25,000)	(1,750)
Pollution control bonds	(40,930)	(33,275)
Other long-term debt	(13,482)	(32,588)
Notes payable, net	(25,000)	(43,000)
Payment of preferred stock dividends	(4,148)	(4,312)
Payment of common stock dividends	(50,500)	(57,100)
Miscellaneous	(3,413)	(1,852)
Net cash used for financing activities	(101,043)	(68,454)
NET CHANGE IN CASH AND CASH EQUIVALENTS	4,550	6,142
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	807	680
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 5,357	$ 6,822
SUPPLEMENTAL CASH FLOW INFORMATION:		
Cash paid during the period for--		
Interest (net of amount capitalized)	$ 17,572	$ 19,269
Income taxes	17,644	20,846

The accompanying notes as they relate to GULF are an integral part of these condensed statements

GULF POWER COMPANY
CONDENSED BALANCE SHEETS
(Stated in Thousands of Dollars)

ASSETS

	At September 30, 1997 (Unaudited)	At December 31, 1996
UTILITY PLANT:		
Plant in service	$ 1,748,011	$ 1,734,510
Less accumulated provision for depreciation	728,541	694,245
	1,019,470	1,040,265
Construction work in progress	30,296	23,465
Total	1,049,766	1,063,730
OTHER PROPERTY AND INVESTMENTS:	623	652
CURRENT ASSETS:		
Cash and cash equivalents	5,357	807
Receivables--		
Customer accounts receivable	74,833	67,727
Other accounts and notes receivable	2,831	3,098
Affiliated companies	2,483	1,821
Accumulated provision for uncollectible accounts	(700)	(789)
Fossil fuel stock, at average cost	20,204	28,352
Materials and supplies, at average cost	29,790	30,252
Current portion of deferred coal contract costs	4,982	16,389
Regulatory clauses under recovery	3,046	4,144
Prepaid income taxes	-	353
Other prepayments	11,045	8,833
Vacation pay deferred	4,055	4,055
Total	157,926	165,042
DEFERRED CHARGES:		
Deferred charges related to income taxes	28,038	28,313
Debt expense and loss, being amortized	23,350	23,308
Deferred coal contract costs	4,521	13,126
Deferred storm charges	895	3,275
Miscellaneous	11,683	10,920
Total	68,487	78,942
TOTAL ASSETS	$ 1,276,802	$ 1,308,366

The accompanying notes as they relate to GULF are an integral part of these condensed statements

GULF POWER COMPANY
CONDENSED BALANCE SHEETS
(Stated in Thousands of Dollars)

CAPITALIZATION AND LIABILITIES

	At September 30, 1997 (Unaudited)	At December 31, 1996
CAPITALIZATION:		
Common stock equity--		
Common stock (without par value)--		
authorized and outstanding--992,717 shares	$ 38,060	$ 38,060
Paid-in capital	218,438	218,438
Premium on preferred stock	44	81
Retained earnings	187,325	179,179
	443,867	435,758
Preferred stock	50,102	65,102
Company obligated mandatorily redeemable preferred securities of subsidiary trust holding Company Junior Subordinated Notes (Note 1)	40,000	-
Long-term debt	296,911	331,880
Total	830,880	832,740
CURRENT LIABILITIES:		
Preferred stock due within one year	-	24,500
Long-term debt due within one year	55,817	40,972
Notes payable	-	25,000
Accounts payable--		
Affiliated companies	11,712	10,274
Other	21,648	22,496
Customer deposits	13,825	13,464
Taxes accrued--		
Federal and state income	12,308	-
Other	16,976	8,342
Interest accrued	6,767	7,620
Regulatory clauses over recovery	4,617	5,884
Vacation pay accrued	4,055	4,055
Dividends declared	725	11,453
Miscellaneous	2,629	5,668
Total	151,079	179,737
DEFERRED CREDITS AND OTHER LIABILITIES:		
Accumulated deferred income taxes	164,913	163,857
Deferred credits related to income taxes	61,524	64,354
Accumulated deferred investment tax credits	32,104	33,760
Accumulated provision for postretirement benefits	20,022	18,339
Miscellaneous	16,280	15,579
Total	294,843	295,889
TOTAL CAPITALIZATION AND LIABILITIES	$ 1,276,802	$ 1,308,366

The accompanying notes as they relate to GULF are an integral part of these condensed statements

GULF POWER COMPANY
MANAGEMENT'S DISCUSSION AND ANALYSIS OF
RESULTS OF OPERATIONS AND FINANCIAL CONDITION

THIRD QUARTER 1997 vs THIRD QUARTER 1996
AND
YEAR-TO-DATE 1997 vs. YEAR-TO-DATE 1996

RESULTS OF OPERATIONS

Earnings

GULF's net income after dividends on preferred stock for the third quarter and year-to-date 1997 was $27.5 million and $48.6 million, respectively, compared to $23.7 million and $47.6 million for the corresponding periods of 1996. Earnings for the quarter and year-to-date 1997 compared to the same periods in 1996 increased 15.9% and 2.2%, respectively. The increase for the current quarter was due primarily to increased energy sales.

Significant income statement items appropriate for discussion include the following:

	Increase (Decrease)			
	Third Quarter		Year-To-Date	
	(in thousands)	%	(in thousands)	%
Revenues	$13,848	8.0	$(10,498)	(2.2)
Revenues from affiliates	243	4.3	2,513	24.2
Fuel expense	4,833	8.6	(1,528)	(1.1)
Purchased power from non-affiliates	3,967	134.9	2,893	42.5
Purchased power from affiliates	(2,353)	(34.4)	(12,796)	(39.8)
Other operation expense	3,090	10.9	10,179	12.3
Maintenance expense	733	8.1	(5,828)	(15.2)
Income taxes applicable to other income	1,053	N/M	925	N/M
Distributions on preferred securities of subsidiary trust	763	N/A	2,042	N/A
Dividends on preferred stock	(626)	(43.1)	(892)	(20.7)

N/A - Not applicable
N/M - Not meaningful

Revenues Excluding fuel and other revenues which represent the pass-through of fuel expense and certain other expenses and do not affect net income, revenues increased $6.3 million or 6.2% for the third quarter and decreased $3.5 million or 1.3% year-to-date 1997, compared to the corresponding periods of 1996. Retail revenues rose 4.9% for the current quarter primarily due to an increase in retail sales as a result of warmer weather during the third quarter; however, retail revenues fell 1.6% year-to-date primarily due to a decrease in energy sales to residential customers reflecting the impact of milder-than-normal temperatures during the first half of 1997. Energy sales to industrial customers increased 7.2% and 4.6% for the quarter and year-to-date, respectively; however, revenues from this sector increased by only 2.0% for the quarter and decreased by 0.3% year-to-date 1997. The disparity between industrial energy sales and industrial revenues is primarily due to increased participation in the Real-Time-Pricing program. See Item 7 - MANAGEMENT'S DISCUSSION AND ANALYSIS - "Future Earnings Potential" of GULF in the Form 10-K for information on initiatives to remain competitive and to meet conservation goals set by the Florida PSC.

Revenues from affiliates and Purchased power from affiliates. The year-to-date decrease in purchased power from affiliates compared to the corresponding period in 1996 can be attributed to maintenance outages at Plant Crist and Plant Daniel during the first half of 1996. Revenues from sales to affiliated companies within the Southern electric system, as well as purchases of energy, will vary from period to period depending on demand and the availability and cost of generating resources at each company. These transactions do not have a significant impact on earnings.

Fuel expense. The current quarter increase in fuel expense is due to increased generation as a result of warmer weather and increased energy sales during the third quarter.

Purchased power from non-affiliates. The increases in purchased power from non-affiliates can primarily be attributed to an increase in energy purchases due to increased power marketing activities, the majority of which were resold to non-affiliated third parties. These transactions had no significant effect on net income.

Other operation expense. The current quarter and year-to-date increases were primarily due to an increase in amortization costs related to the buyout and renegotiation of a coal supply contract.

Maintenance expense. The increase in maintenance expense for the third quarter is primarily due to routine maintenance, while the year-to-date decrease is primarily attributed to the scheduled maintenance on production facilities which occurred in the first half of 1996 at Plant Crist and Plant Daniel.

Income taxes applicable to other income. The change for the third quarter and year-to-date when compared to the corresponding periods of 1996 is primarily due to increased tax benefits from losses of the parent company allocated to GULF under the joint consolidated income tax agreement between SOUTHERN and its subsidiaries.

Distributions on preferred securities of subsidiary trust. See "Financing Activities" herein for details relating to the January 1997 issuance by Gulf Power Capital Trust I of its 7.625% trust preferred securities.

Dividends on preferred stock. Current quarter and year-to-date preferred stock dividends decreased when compared to the same periods in 1996 due to redemptions of preferred stock in March and August of 1997.

Future Earnings Potential

The results of operations discussed above are not necessarily indicative of future earnings potential. The level of future earnings depends on numerous factors ranging from energy sales growth to a potentially less regulated, more competitive environment.

With the enactment of the Energy Act and new legislation being discussed at federal and state levels to expand customer choice, the Southern electric system is positioning the business to meet the challenge of increasing competition. For additional information, see Item 7 - MANAGEMENT'S DISCUSSION AND ANALYSIS - "Future Earnings Potential" of GULF and Item 1 - BUSINESS - "Competition" in the Form 10-K.

Compliance costs related to the Clean Air Act could affect earnings if such costs are not fully recovered through GULF's Environmental Cost Recovery Clause. For additional information about the Clean Air Act and other environmental issues, see Item 7 - MANAGEMENT'S DISCUSSION AND ANALYSIS - "Environmental Matters" of GULF in the Form 10-K.

In July 1997, the United States Environmental Protection Agency ("EPA") published revisions to the ambient air quality standards for ozone and particulate matter, making the standards significantly more stringent. In addition, in October 1997, EPA issued a proposed rule which, if implemented as proposed, would require substantial further reductions in NOx emissions from fossil-fueled generating facilities. Implementation of the above-described standards and proposed rules would result in increased compliance costs and capital expenditures for the operating companies in amounts that cannot be determined at this time.

In June 1997, the FASB issued Statement No. 130, Reporting Comprehensive Income, which establishes standards for reporting and display of "comprehensive income," which is the total of net income and all other non-owner changes in stockholders' equity, and its components. The standard is effective in 1998. It is not expected to affect GULF's financial reporting.

In June 1997, the FASB issued Statement No. 131, Disclosures about Segments of an Enterprise and Related Information. Statement No. 131, which supersedes Statement Nos. 14, 18, 24 and 30, establishes new standards for segment reporting, using the "management approach," in which reportable segments are based on the same criteria on which management disaggregates a business for making operating decisions and assessing performance. GULF is in the process of evaluating Statement No. 131 and its impact and will adopt the standard by 1998.

Reference is made to Notes (B) and (G) in the "Notes to the Condensed Financial Statements" herein for discussion of various contingencies and other matters which may affect future earnings potential.

FINANCIAL CONDITION

Overview

Major changes in GULF's financial condition during the first nine months of 1997 included the addition of approximately $32.0 million to utility plant. The funds for these additions and other capital requirements were derived primarily from operations. See GULF's Condensed Statements of Cash Flows for further details.

Financing Activities

During the first quarter of 1997, Gulf Power Capital Trust I, a statutory business trust established for the purpose of holding GULF's junior subordinated notes and issuing trust preferred securities and common securities, sold $40 million of its 7.625% trust preferred securities which are guaranteed by GULF. For additional information, see Note (I) in the "Notes to the Condensed Financial Statements" and Item 7 - MANAGEMENT'S DISCUSSION AND ANALYSIS - "Sources of Capital" of GULF in the Form 10-K. A portion of these proceeds was used to redeem $5 million of 7.88% cumulative preferred stock, $5 million of 7.52% cumulative preferred stock and $14.5 million of 7.00% cumulative preferred stock during the first quarter of 1997 and $15 million of 7.30% cumulative preferred stock in August 1997.

On July 1, 1997, GULF sold, through public authorities, $40.93 million of variable rate pollution control revenue refunding bonds due July 1, 2022. The proceeds were used to redeem $32 million aggregate principal amount of 8.25% pollution control revenue refunding bonds, $5 million aggregate principal amount of 6.75% pollution control revenue refunding bonds, and $3.93 million aggregate principal amount of 6.75% pollution control revenue refunding bonds.

Also, on August 1, 1997, GULF sold $20 million of Series B 7.50% Junior Subordinated Notes due June 30, 2037. The proceeds were used to pay a portion of the scheduled maturity of $25 million of 5.875% first mortgage bonds that were due on August 1, 1997.

GULF plans to continue, to the extent possible, a program to retire higher-cost debt and preferred stock and replace these securities with lower-cost capital.

Capital Requirements

Reference is made to Item 7 - MANAGEMENT'S DISCUSSION AND ANALYSIS of GULF under "Capital Requirements for Construction," "Environmental Matters" and "Other Capital Requirements" in the Form 10-K for a description of GULF's capital requirements for its construction program, environmental compliance efforts and maturing debt. GULF's capital requirements for its construction program for 1997 through 1999 were increased in October 1997 by $43 million primarily due to production project costs at Plant Daniel and additional costs related to a new company-owned cogeneration facility being built at an industrial customer's site. GULF's gross property additions, including those amounts related to environmental compliance, are now budgeted at $185 million for 1997 through 1999 ($55 million in 1997, $68 million in 1998, and $62 million in 1999). Approximately $55.8 million will be required through September 30, 1998, for maturities of long-term debt.

Sources of Capital

In addition to the financing activities previously described herein, GULF plans to obtain the funds required for construction and other purposes from sources similar to those used in the past. The amount, type and timing of any financings--if needed--will depend upon maintenance of adequate earnings, regulatory approval, prevailing market conditions and other factors. Currently, GULF expects to have adequate earnings coverage ratios for any anticipated security sales through at least 1999. See Item 1 - BUSINESS - "Financing Programs" in the Form 10-K for additional information.

To meet short-term cash needs and contingencies, GULF had at September 30, 1997, approximately $5.4 million of cash and cash equivalents and $103.4 million of unused committed lines of credit with banks (including $61.9 million liquidity support for variable rate pollution control bonds). At September 30, 1997, GULF had no outstanding short-term notes payable to banks. Since GULF has no major generating plants under construction, management believes that the need for working capital can be adequately met by utilizing lines of credit without maintaining large cash balances.

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MISSISSIPPI POWER COMPANY

MISSISSIPPI POWER COMPANY
CONDENSED STATEMENTS OF INCOME (UNAUDITED)
(Stated in Thousands of Dollars)

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	1997	1996	1997	1996
OPERATING REVENUES:				
Revenues	$ 163,622	$ 148,125	$ 408,761	$ 403,425
Revenues from affiliates	8,252	8,478	8,931	16,881
Total operating revenues	171,874	156,603	417,692	420,306
OPERATING EXPENSES:				
Operation--				
Fuel	49,858	40,029	109,988	106,506
Purchased power from non-affiliates	10,721	11,075	12,919	17,011
Purchased power from affiliates	5,295	5,840	26,438	26,359
Other	27,241	25,686	71,912	76,958
Maintenance	10,423	10,278	32,427	35,116
Depreciation and amortization	11,417	11,559	34,010	34,912
Taxes other than income taxes	11,736	11,082	33,916	32,532
Federal and state income taxes	14,742	13,384	29,269	27,477
Total operating expenses	141,433	128,933	350,779	356,871
OPERATING INCOME	30,441	27,670	66,913	63,435
OTHER INCOME (EXPENSE):				
Allowance for equity funds used during construction	11	29	22	153
Interest income	182	23	544	201
Other, net	955	787	2,575	3,519
Income taxes applicable to other income	615	40	(157)	(983)
INCOME BEFORE INTEREST CHARGES	32,204	28,549	69,897	66,325
INTEREST CHARGES AND OTHER:				
Interest on long-term debt	4,968	4,691	14,857	15,119
Allowance for debt funds used during construction	(22)	(225)	(45)	(541)
Interest on notes payable	40	488	96	1,339
Amortization of debt discount, premium, and expense, net	408	390	1,182	1,159
Other interest charges	125	196	439	696
Distributions on preferred securities of subsidiary trust	699	-	1,670	-
Interest charges and other, net	6,218	5,540	18,199	17,772
NET INCOME	25,986	23,009	51,698	48,553
DIVIDENDS ON PREFERRED STOCK	823	1,225	3,272	3,674
NET INCOME AFTER DIVIDENDS ON PREFERRED STOCK	$ 25,163	$ 21,784	$ 48,426	$ 44,879

The accompanying notes as they relate to MISSISSIPPI are an integral part of these condensed statements

MISSISSIPPI POWER COMPANY
CONDENSED STATEMENTS OF CASH FLOWS (UNAUDITED)
(Stated in Thousands of Dollars)

	For the Nine Months Ended September 30, 1997	1996
OPERATING ACTIVITIES:		
Net income	$ 51,698	$ 48,553
Adjustments to reconcile net income to net cash provided by operating activities--		
Depreciation and amortization	37,082	39,372
Deferred income taxes	1,042	(2,757)
Allowance for equity funds used during construction	(22)	(153)
Other, net	249	113
Changes in certain current assets and liabilities--		
Receivables, net	(10,340)	1,751
Inventories	2,044	4,765
Payables	(7,213)	(1,489)
Taxes accrued	5,675	2,834
Other	309	327
Net cash provided from operating activities	80,524	93,316
INVESTING ACTIVITIES:		
Gross property additions	(38,509)	(43,879)
Other	(144)	(2,765)
Net cash used for investing activities	(38,653)	(46,644)
FINANCING ACTIVITIES:		
Proceeds--		
Capital contribution	-	27
Preferred securities	35,000	-
Other long-term debt	-	30,000
Retirements--		
Preferred stock	(35,000)	-
First mortgage bonds	-	(45,447)
Other long-term debt	-	(20,000)
Notes payable, net	-	16,500
Payment of preferred stock dividends	(3,272)	(3,674)
Payment of common stock dividends	(35,600)	(31,900)
Miscellaneous	(1,283)	(2,932)
Net cash used for financing activities	(40,155)	(57,426)
NET CHANGE IN CASH AND CASH EQUIVALENTS	1,716	(10,754)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	7,058	12,641
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 8,774	$ 1,887
SUPPLEMENTAL CASH FLOW INFORMATION:		
Cash paid during the period for--		
Interest (net of amount capitalized)	$ 2,864	$ 16,715
Income taxes	16,310	22,240

The accompanying notes as they relate to MISSISSIPPI are an integral part of these condensed statements

MISSISSIPPI POWER COMPANY
CONDENSED BALANCE SHEETS
(Stated in Thousands of Dollars)

ASSETS

	At September 30, 1997 (Unaudited)	At December 31, 1996
UTILITY PLANT:		
Plant in service, at original cost	$ 1,504,021	$ 1,483,875
Less accumulated provision for depreciation	556,110	526,776
	947,911	957,099
Construction work in progress	47,118	35,100
Total	995,029	992,199
OTHER PROPERTY AND INVESTMENTS:	2,976	3,054
CURRENT ASSETS:		
Cash and cash equivalents	8,774	7,058
Receivables--		
Customer accounts receivable	34,599	26,364
Regulatory clauses under recovery	8,257	7,300
Other accounts and notes receivable	6,671	7,468
Affiliated companies	8,287	6,329
Accumulated provision for uncollectible accounts	(852)	(839)
Fossil fuel stock, at average cost	11,328	12,168
Materials and supplies, at average cost	19,879	21,083
Current portion of accumulated deferred income taxes	4,107	7,227
Prepayments	3,647	4,744
Vacation pay deferred	4,806	4,806
Total	109,503	103,708
DEFERRED CHARGES:		
Debt expense and loss, being amortized	12,552	12,220
Deferred charges related to income taxes	23,072	22,274
Long-term notes receivable	2,990	3,737
Work Force Reduction Plan of 1997	15,700	-
Miscellaneous	7,932	5,135
Total	62,246	43,366
TOTAL ASSETS	$ 1,169,754	$ 1,142,327

The accompanying notes as they relate to MISSISSIPPI are an integral part of these condensed statements

MISSISSIPPI POWER COMPANY
CONDENSED BALANCE SHEETS
(Stated in Thousands of Dollars)

CAPITALIZATION AND LIABILITIES

	At September 30, 1997 (Unaudited)	At December 31, 1996
CAPITALIZATION:		
Common stock equity--		
Common stock (without par value)--		
authorized 1,130,000 shares; outstanding 1,121,000 shares	$ 37,691	$ 37,691
Paid-in capital	179,389	179,389
Premium on preferred stock	372	372
Retained earnings	179,108	166,282
	396,560	383,734
Preferred stock	39,414	74,414
Company obligated mandatorily redeemable preferred securities of subsidiary trust holding Company Junior Subordinated Notes (Note I)	35,000	-
Long-term debt	291,609	326,379
Total	762,583	784,527
CURRENT LIABILITIES:		
Long-term debt due within one year	35,010	10
Accounts payable--		
Affiliated companies	5,626	4,136
Regulatory clauses over recovery	6,756	8,788
Other	31,829	38,720
Customer deposits	3,475	3,154
Taxes accrued--		
Federal and state income	10,725	-
Other	27,395	32,445
Interest accrued	4,035	4,384
Miscellaneous	13,094	13,942
Total	137,945	105,579
DEFERRED CREDITS AND OTHER LIABILITIES:		
Accumulated deferred income taxes	132,962	133,437
Accumulated deferred investment tax credits	27,423	28,333
Deferred credits related to income taxes	39,764	40,568
Postretirement benefits	22,644	21,850
Accumulated provision for property damage	14,080	12,955
Work Force Reduction Plan of 1997	15,700	-
Miscellaneous	16,653	15,078
Total	269,226	252,221
TOTAL CAPITALIZATION AND LIABILITIES	$ 1,169,754	$ 1,142,327

The accompanying notes as they relate to MISSISSIPPI are an integral part of these condensed statements

MISSISSIPPI POWER COMPANY
MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION

THIRD QUARTER 1997 vs. THIRD QUARTER 1996 AND YEAR-TO-DATE 1997 vs. YEAR-TO-DATE 1996

RESULTS OF OPERATIONS

Earnings

MISSISSIPPI's net income after dividends on preferred stock for the third quarter and year-to-date 1997 was $25.2 million and $48.4 million, respectively, compared to $21.8 million and $44.9 million for the corresponding periods of 1996. Earnings for the current quarter increased by 15.5% primarily as a result of increased operating revenues. Year-to-date earnings increased 7.9% due primarily to lower operating expenses.

Significant income statement items appropriate for discussion include the following:

	Increase (Decrease)			
	Third Quarter		Year-To-Date	
	(in thousands)	%	(in thousands)	%
Revenues	$15,497	10.5	$5,336	1.3
Revenues from affiliates	(226)	(2.7)	(7,950)	(47.1)
Fuel expense	9,829	24.6	3,382	3.2
Purchased power from non-affiliates	(354)	(3.2)	(4,092)	(24.1)
Other operation expense	1,555	6.1	(5,046)	(6.6)

Revenues. The increase in revenues for the third quarter was primarily due to increased energy sales to retail customers. Energy sales increased 1.9%, 5.4% and 2.1% to residential, commercial and industrial customers, respectively. The revenue increases associated with these sales were 6.6%, 7.4% and 5.3%. Retail revenues, excluding those revenues which represent the recovery of fuel expense and certain other expenses and do not affect income, increased $3.0 million for the quarter due to increased energy sales and decreased $1.4 million for year-to-date 1997 primarily due to milder temperatures experienced during this period as compared to 1996. Third quarter and year-to-date revenues from territorial wholesale customers, excluding fuel revenues which do not affect income, increased $4.5 million and decreased $1.1 million, respectively, compared to the same periods of 1996, with a increase in energy sales of 8.1% and 0.7%, respectively.

Revenues from affiliates. Revenues from sales to affiliated companies within the Southern electric system will vary from period to period depending on demand and the availability and cost of generating resources at each company. In addition, the third quarter and year-to-date 1997 periods reflect adjustments in affiliated billings. These transactions do not have a significant impact on earnings.

Fuel expense. The increases in fuel expense was due to increased generation resulting from a rise in retail and territorial wholesale energy sales.

Purchased power from non-affiliates. Purchased power from non-affiliates decreased in both the current quarter and year-to-date when compared to the same periods in 1996 due to MISSISSIPPI's purchase during the third quarter 1996 of capacity and energy from another utility.

Other operation expense. The current quarter increase in other operation expense was primarily due to higher administrative and general expenses. The year-to-date decrease can be primarily attributed to lower administrative and general expenses in 1997.

Future Earnings Potential

The results of operations discussed above are not necessarily indicative of future earnings potential. The level of future earnings depends on numerous factors ranging from energy sales growth to a less regulated, more competitive environment. Operating revenues will be affected by any changes in rates under the PEP and ECO plans. The PEP has proven to be a stabilizing force on electric rates, with only moderate changes in rates taking place. MISSISSIPPI's 1997 annual filing under the ECO Plan with the Mississippi PSC resulted in an approved annual revenue requirement increase of $0.9 million, effective April 1997.

With the enactment of the Energy Act and new legislation being discussed at federal and state levels to expand customer choice, the Southern electric system is positioning the business to meet the challenge of increasing competition. For additional information, see Item 1 - BUSINESS - "Competition" and Item 7 - MANAGEMENT'S DISCUSSION AND ANALYSIS - "Future Earnings Potential" of MISSISSIPPI in the Form 10-K.

The Mississippi PSC has initiated a docket to study retail access in order to determine a position on electric deregulation which best serves the State. Hearings have been and will continue to be held in which interested parties including MISSISSIPPI are participating. The Public Utilities Staff of the Mississippi PSC has issued without recommendation a proposed deregulation plan for comment from interested parties and to form a basis for future hearings of the Mississippi PSC. No conclusion by the Mississippi PSC is anticipated during this year. Further hearings will be held in 1998.

Compliance costs related to the Clean Air Act could affect earnings if such costs cannot be recovered. For additional information about the Clean Air Act and other environmental issues, see Item 7 - MANAGEMENT'S DISCUSSION AND ANALYSIS - "Environmental Matters" of MISSISSIPPI in the Form 10-K.

In July 1997, the United States Environmental Protection Agency ("EPA") published revisions to the ambient air quality standards for ozone and particulate matter, making the standards significantly more stringent. In addition, in October 1997, EPA issued a proposed rule which, if implemented as proposed, would require substantial further reductions in NOx emissions from fossil-fueled generating facilities. Implementation of the above-described standards and proposed rules would result in increased compliance costs and capital expenditures for the operating companies in amounts that cannot be determined at this time.

In June 1997, the FASB issued Statement No. 130, Reporting Comprehensive Income, which establishes standards for reporting and display of "comprehensive income," which is the total of net income and all other non-owner changes in stockholders' equity, and its components. The standard is effective in 1998. It is not expected to affect MISSISSIPPI's financial reporting.

In June 1997, the FASB issued Statement No. 131, Disclosures about Segments of an Enterprise and Related Information. Statement No. 131, which supersedes Statement Nos. 14, 18, 24 and 30, establishes new standards for segment reporting, using the "management approach," in which reportable segments are based on the same criteria on which management disaggregates a business for making operating decisions and assessing performance. MISSISSIPPI is in the process of evaluating Statement No. 131 and its impact and will adopt the standard by 1998.

One hundred employees of MISSISSIPPI, in certain areas, including finance, environmental quality and external affairs, have accepted a workforce reduction plan. This voluntary plan was an effort to find appropriate ways to reduce fixed costs, while at the same time providing employees with choices about their future. The total cost to be incurred in connection with this voluntary plan is expected to be within the range of $16 million to $19 million and will be deferred and amortized, pending regulatory approval. See Note (H) in the "Notes to the Condensed Financial Statements" herein for additional information.

Reference is made to Notes (B), (G) and (H) in the "Notes to the Condensed Financial Statements" herein for discussion of various contingencies and other matters which may affect future earnings potential. Reference is also made to Part II - Item 1 - "Legal Proceedings" herein.

FINANCIAL CONDITION

Overview

Major changes in MISSISSIPPI's financial condition during the first nine months of 1997 included the addition of approximately $38.5 million to utility plant. The funds for these additions and other capital requirements were derived primarily from operations. See MISSISSIPPI's Condensed Statements of Cash Flows for further details.

Financing Activities

During the first quarter of 1997, Mississippi Power Capital Trust I, a statutory business trust established for the purpose of holding MISSISSIPPI's junior subordinated notes and issuing trust preferred securities and common securities, sold $35 million of its 7.75% trust originated preferred securities which are guaranteed by MISSISSIPPI. For additional information, see Note (I) in the "Notes to the Condensed Financial Statements" and Item 7 - MANAGEMENT'S DISCUSSION AND ANALYSIS - "Sources of Capital" of MISSISSIPPI in the Form 10-K.

MISSISSIPPI plans to continue, to the extent possible, a program to retire higher-cost debt and preferred stock and replace these securities with lower-cost capital.

Capital Requirements

Reference is made to Item 7 - MANAGEMENT'S DISCUSSION AND ANALYSIS of MISSISSIPPI under "Capital Requirements for Construction," "Environmental Matters" and "Other Capital Requirements" in the Form 10-K for a description of MISSISSIPPI's capital requirements for its construction program, environmental compliance efforts, sinking fund requirements and maturities of long-term debt.

MISSISSIPPI has applied for a certificate of public convenience and necessity to the Mississippi PSC to build up to 1,000 MW of natural gas-fired combined cycle generation at Plant Daniel. The estimated capital cost associated with construction of this additional generation at Plant Daniel is approximately $450 million. MISSISSIPPI would own two-thirds of the new generation, with an affiliate owning the other one-third. This two-thirds share results in an estimated capital cost of approximately $300 million. Hearings on MISSISSIPPI's certificate request are expected in November 1997.

Sources of Capital

In addition to the financing activities previously described herein, MISSISSIPPI plans to obtain the funds required for construction and other purposes from sources similar to those used in the past. The amount, type and timing of any financings--if needed--will depend upon maintenance of adequate earnings, regulatory approval, prevailing market conditions and other factors. Currently, MISSISSIPPI expects to have adequate earnings coverage ratios for any anticipated security sales through at least 1999. See Item 1 - BUSINESS - "Financing Programs" in the Form 10-K for additional information.

To meet short-term cash needs and contingencies, MISSISSIPPI had at September 30, 1997, approximately $8.8 million of cash and cash equivalents and approximately $76.3 million of unused committed credit arrangements with banks (including $10.8 million of such arrangements under which borrowings may be made only to fund purchase obligations relating to variable rate pollution control bonds). At September 30, 1997, MISSISSIPPI had no short-term borrowings outstanding. Since MISSISSIPPI has no major generating plants under construction, management believes that the need for working capital can be adequately met by utilizing lines of credit without maintaining large cash balances.

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SAVANNAH ELECTRIC
AND
POWER COMPANY

SAVANNAH ELECTRIC AND POWER COMPANY
CONDENSED STATEMENTS OF INCOME (UNAUDITED)
(Stated in Thousands of Dollars)

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	1997	1996	1997	1996
OPERATING REVENUES:				
Revenues	$ 78,716	$ 72,676	$ 173,901	$ 183,226
Revenues from affiliates	1,184	683	1,460	2,614
Total operating revenues	79,900	73,359	175,361	185,840
OPERATING EXPENSES:				
Operation--				
Fuel	16,609	11,482	27,063	24,174
Purchased power from non-affiliates	1,669	802	2,351	2,014
Purchased power from affiliates	11,756	14,395	31,786	45,915
Other	11,737	10,624	33,379	32,317
Maintenance	2,991	3,064	9,551	9,515
Depreciation and amortization	5,027	4,525	15,047	14,329
Taxes other than income taxes	3,208	3,195	8,823	9,373
Federal and state income taxes	9,372	8,730	15,087	15,313
Total operating expenses	62,369	56,817	143,087	152,950
OPERATING INCOME	17,531	16,542	32,274	32,890
OTHER INCOME (EXPENSE):				
Allowance for equity funds used during construction	11	48	216	229
Interest income	41	24	165	129
Other, net	(767)	(747)	(858)	(1,465)
Income taxes applicable to other income	1,046	607	1,033	840
INCOME BEFORE INTEREST CHARGES	17,862	16,474	32,830	32,623
INTEREST CHARGES:				
Interest on long-term debt	2,677	2,769	8,079	8,787
Allowance for debt funds used during construction	(8)	(46)	(149)	(222)
Interest on notes payable	54	81	174	217
Amortization of debt discount, premium, and expense, net	186	185	552	396
Other interest charges	96	89	264	286
Net interest charges	3,005	3,078	9,130	9,466
NET INCOME	14,857	13,396	23,700	23,157
DIVIDENDS ON PREFERRED STOCK	581	581	1,743	1,743
NET INCOME AFTER DIVIDENDS ON PREFERRED STOCK	$ 14,276	$ 12,815	$ 21,957	$ 21,414

The accompanying notes as they relate to SAVANNAH are an integral part of these condensed statements

SAVANNAH ELECTRIC AND POWER COMPANY
CONDENSED STATEMENTS OF CASH FLOWS (UNAUDITED)
(Stated in Thousands of Dollars)

	For the Nine Months Ended September 30, 1997	1996
OPERATING ACTIVITIES:		
Net income	$ 23,700	$ 23,157
Adjustments to reconcile net income to net cash provided by operating activities--		
Depreciation and amortization	15,712	15,248
Deferred income taxes and investment tax credits, net	2,179	5,974
Allowance for equity funds used during construction	(216)	(229)
Other, net	1,304	1,983
Changes in certain current assets and liabilities--		
Receivables, net	(10,197)	(6,668)
Inventories	464	(1,022)
Payables	5,231	(171)
Taxes accrued	6,772	5,689
Other	(173)	(3,594)
Net cash provided from operating activities	44,776	40,367
INVESTING ACTIVITIES:		
Gross property additions	(14,938)	(21,078)
Other	(1,385)	(4,774)
Net cash used for investing activities	(16,323)	(25,852)
FINANCING ACTIVITIES:		
Proceeds--		
First mortgage bonds	-	20,000
Other long-term debt	13,870	17,000
Retirements--		
First mortgage bonds	-	(29,400)
Other long-term debt	(14,263)	(403)
Notes payable, net	(5,000)	(2,500)
Payment of preferred stock dividends	(1,743)	(1,743)
Payment of common stock dividends	(16,000)	(14,400)
Miscellaneous	(350)	(2,241)
Net cash used for financing activities	(23,486)	(13,687)
NET CHANGE IN CASH AND CASH EQUIVALENTS	4,967	828
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	5,214	877
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 10,181	$ 1,705
SUPPLEMENTAL CASH FLOW INFORMATION:		
Cash paid during the period for--		
Interest (net of amount capitalized)	$ 9,457	$ 10,987
Income taxes	5,382	6,070

The accompanying notes as they relate to SAVANNAH are an integral part of these condensed statements

SAVANNAH ELECTRIC AND POWER COMPANY
CONDENSED BALANCE SHEETS
(Stated in Thousands of Dollars)

ASSETS

	At September 30, 1997 (Unaudited)	At December 31, 1996
UTILITY PLANT:		
Plant in service, at original cost	$ 753,043	$ 739,461
Less accumulated provision for depreciation	317,355	304,760
	435,688	434,701
Construction work in progress	12,166	13,463
Total	447,854	448,164
OTHER PROPERTY AND INVESTMENTS:	1,784	1,785
CURRENT ASSETS:		
Cash and cash equivalents	10,181	5,214
Special deposits	250	1,395
Receivables--		
Customer accounts receivable	26,608	18,827
Other accounts and notes receivable	2,060	769
Affiliated companies	2,597	844
Accumulated provision for uncollectible accounts	(515)	(632)
Fuel cost under recovery	7,689	7,289
Fossil fuel stock, at average cost	6,051	5,892
Materials and supplies, at average cost	7,390	8,013
Prepayments	6,086	6,135
Total	68,397	53,746
DEFERRED CHARGES:		
Deferred charges related to income taxes	18,741	19,167
Premium on reacquired debt, being amortized	7,288	7,142
Cash surrender value of life insurance for deferred compensation plans	10,288	10,288
Miscellaneous	2,196	2,003
Total	38,513	38,600
TOTAL ASSETS	$ 556,548	$ 542,295

The accompanying notes as they relate to SAVANNAH are an integral part of these condensed statements

SAVANNAH ELECTRIC AND POWER COMPANY
CONDENSED BALANCE SHEETS
(Stated in Thousands of Dollars)

CAPITALIZATION AND LIABILITIES

	At September 30, 1997 (Unaudited)	At December 31, 199€
CAPITALIZATION:		
Common stock equity--		
Common stock (par value $5 per share)--		
authorized 16,000,000 shares; outstanding 10,844,635 shares	$ 54,223	$ 54,223
Paid-in capital	8,688	8,688
Retained earnings	115,329	109,373
	178,240	172,284
Preferred stock	35,000	35,000
Long-term debt	140,651	161,801
Total	353,891	369,085
CURRENT LIABILITIES:		
Long-term debt due within one year	21,742	637
Notes payable	-	5,000
Accounts payable--		
Affiliated companies	5,424	6,374
Other	15,011	10,201
Customer deposits	5,481	5,232
Taxes accrued--		
Federal and state income	3,796	-
Other	3,991	1,015
Interest accrued	4,377	5,275
Vacation pay accrued	2,149	2,038
Miscellaneous	6,900	7,470
Total	68,871	43,242
DEFERRED CREDITS AND OTHER LIABILITIES:		
Accumulated deferred income taxes	79,377	76,654
Accumulated deferred investment tax credits	12,773	13,271
Deferred credits related to income taxes	22,710	22,792
Deferred compensation plans	9,206	8,602
Postretirement benefits	6,251	5,472
Miscellaneous	3,469	3,177
Total	133,786	129,968
TOTAL CAPITALIZATION AND LIABILITIES	$ 556,548	$ 542,295

The accompanying notes as they relate to SAVANNAH are an integral part of these condensed statements

SAVANNAH ELECTRIC AND POWER COMPANY
MANAGEMENT'S DISCUSSION AND ANALYSIS OF
RESULTS OF OPERATIONS AND FINANCIAL CONDITION

THIRD QUARTER 1997 vs. THIRD QUARTER 1996
AND
YEAR-TO-DATE 1997 vs. YEAR-TO-DATE 1996

RESULTS OF OPERATIONS

Earnings

SAVANNAH's net income after dividends on preferred stock for the third quarter and year-to-date 1997 was $14.3 million and $22.0 million, respectively, as compared to $12.8 million and $21 4 million for the corresponding periods of 1996. For the quarter, earnings increased 11.4% due to increased operating revenues during this period. Year-to-date earnings increased 2.5% primarily as a result of lower interest charges and an increase in other income during this period.

Significant income statement items appropriate for discussion include the following:

	Increase (Decrease)			
	Third Quarter		Year-To-Date	
	(in thousands)	%	(in thousands)	%
Revenues	$6,040	8.3	$(9,325)	(5 1)
Revenues from affiliates	501	73 4	(1,154)	(44.1)
Fuel expense	5,127	44.7	2,889	12.0
Purchased power from affiliates	(2,639)	(18.3)	(14,129)	(30.8)
Other operation expense	1,113	10.5	1,062	3.3
Income taxes applicable to other income	439	72.3	193	23.0

Revenues. Excluding fuel revenues, which represent the pass-through of fuel expenses and do not affect income, revenues increased $4.3 million for the quarter and increased $1.4 million year-to-date when compared to the same periods of 1996. Revenues for the current quarter of 1997 were up primarily because of increased energy sales to residential, commercial and industrial customers Energy sales to these customers increased 3.7%, 5.4% and 14.7%, respectively, resulting in revenue increases of 4.4%, 6.9% and 11 8%, respectively. Year-to-date revenues for 1997 increased primarily because of a $0.5 million increase in other operating revenues and a $1.0 million increase in revenues from non-affiliates Retail revenues, excluding fuel revenues were down slightly primarily because of a 5.5% decrease in energy sales to residential customers offset somewhat by increased energy sales of 1.0% in the commercial sector and 3.5% in the industrial sector. Energy sales to residential customers were impacted by the milder-than-normal temperatures experienced during 1997

Revenues from affiliates and Purchased power from affiliates. Revenues from sales to affiliated companies within the Southern electric system, as well as purchases of energy, will vary from period to period depending on demand and the availability and cost of generating resources at each company In addition, the year-to-date 1997 reflects an adjustment in affiliated billings. These transactions do not have a significant impact on earnings

Fuel expenses. The increases for the quarter and year-to-date can be attributed to higher generation

FINANCIAL CONDITION

Overview

Major changes in SAVANNAH's financial condition during the first nine months of 1997 included the addition of approximately $14.9 million to utility plant. The funds for these additions and other capital requirements were derived primarily from operations. See SAVANNAH's Condensed Statements of Cash Flows for further details.

Financing Activities

In April 1997, SAVANNAH sold, through a public authority, $13.87 million of variable rate pollution control revenue bonds due 2037. The proceeds were applied to the redemption in May 1997 of $13.87 million of 6 3/4% pollution control revenue bonds.

SAVANNAH plans to continue, to the extent possible, a program to retire higher-cost debt and replace these obligations with lower-cost capital.

Sources of Capital

SAVANNAH plans to obtain the funds required for construction and other purposes from sources similar to those used in the past. The amount, type and timing of any financings--if needed--will depend upon maintenance of adequate earnings, regulatory approval, prevailing market conditions and other factors. Currently, SAVANNAH expects to have adequate earnings coverage ratios for any anticipated security sales through at least 1999. See Item 1 - BUSINESS - "Financing Programs" in the Form 10-K for additional information.

To meet short-term cash needs and contingencies, SAVANNAH had at September 30, 1997, approximately $10.2 million of cash and cash equivalents and approximately $40.5 million of unused credit arrangements with banks. At September 30, 1997, SAVANNAH had no short-term notes payable to banks. Since SAVANNAH has no major generating plants under construction, management believes that the need for working capital can be adequately met by utilizing lines of credit.

Other operation expense. The current quarter and year-to-date increases when compared to the same periods in 1996 are due primarily to higher administrative and general expense due to expenses associated with the voluntary severance plan during this quarter.

Income taxes applicable to other income. The increases in this item for the quarter and year-to-date can be attributed to increased tax benefits from losses of the parent company allocated to SAVANNAH under the joint consolidated income tax agreement between SOUTHERN and its subsidiaries.

Future Earnings Potential

The results of operations discussed above are not necessarily indicative of future earnings potential. The level of future earnings depends on numerous factors ranging from energy sales growth to a less regulated, more competitive environment.

With the enactment of the Energy Act and new legislation being discussed at federal and state levels to expand customer choice, the Southern electric system is positioning the business to meet the challenge of increasing competition. For additional information, see Item 1 - BUSINESS - "Competition" and Item 7 - MANAGEMENT'S DISCUSSION AND ANALYSIS - "Future Earnings Potential" of SAVANNAH in the Form 10-K.

Compliance costs related to the Clean Air Act could affect earnings if such costs cannot be offset. For additional information about the Clean Air Act and other environmental issues, see Item 7 - MANAGEMENT'S DISCUSSION AND ANALYSIS - "Environmental Matters" of SAVANNAH in the Form 10-K.

In July 1997, the United States Environmental Protection Agency ("EPA") published revisions to the ambient air quality standards for ozone and particulate matter, making the standards significantly more stringent. In addition, in October 1997, EPA issued a proposed rule which, if implemented as proposed, would require substantial further reductions in NOx emissions from fossil-fueled generating facilities. Implementation of the above-described standards and proposed rules would result in increased compliance costs and capital expenditures for the operating companies in amounts that cannot be determined at this time.

In June 1997, the FASB issued Statement No. 130, Reporting Comprehensive Income, which establishes standards for reporting and display of "comprehensive income," which is the total of net income and all other non-owner changes in stockholders' equity, and its components. The standard is effective in 1998. It is not expected to affect SAVANNAH's financial reporting.

In June 1997, the FASB issued Statement No. 131, Disclosures about Segments of an Enterprise and Related Information. Statement No. 131, which supersedes Statement Nos. 14, 18, 24 and 30, establishes new standards for segment reporting, using the "management approach," in which reportable segments are based on the same criteria on which management disaggregates a business for making operating decisions and assessing performance. SAVANNAH is in the process of evaluating Statement No. 131 and its impact and will adopt the standard by 1998.

Reference is made to Notes (B) and (Q) in the "Notes to the Condensed Financial Statements" herein for discussion of various contingencies and other matters which may affect future earnings potential.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS
FOR
THE SOUTHERN COMPANY AND SUBSIDIARY COMPANIES
ALABAMA POWER COMPANY
GEORGIA POWER COMPANY
GULF POWER COMPANY
MISSISSIPPI POWER COMPANY
SAVANNAH ELECTRIC AND POWER COMPANY

INDEX TO APPLICABLE NOTES TO
FINANCIAL STATEMENTS BY REGISTRANT

Registrant	Applicable Notes
SOUTHERN	A, B, C, D, E, F, G, H, I, J, K, L, M, N, O, P, R
ALABAMA	A, B, C, G, H, I, J, K
GEORGIA	A, B, C, G, H, I, L, M, N, O, P
GULF	A, B, G, H, I
MISSISSIPPI	A, B, G, H, I
SAVANNAH	A, B, H, Q

THE SOUTHERN COMPANY AND SUBSIDIARY COMPANIES
ALABAMA POWER COMPANY
GEORGIA POWER COMPANY
GULF POWER COMPANY
MISSISSIPPI POWER COMPANY
SAVANNAH ELECTRIC AND POWER COMPANY

NOTES TO THE CONDENSED FINANCIAL STATEMENTS:

(A) The condensed financial statements of the registrants included herein have been prepared by each registrant, without audit, pursuant to the rules and regulations of the SEC. In the opinion of each registrant's management, the information regarding such registrant furnished herein reflects all adjustments (which included only normal recurring adjustments) necessary to present fairly the results for the periods ended September 30, 1997 and 1996. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations, although each registrant believes that the disclosures regarding such registrant are adequate to make the information presented not misleading. It is suggested that these condensed financial statements be read in conjunction with the financial statements and the notes thereto included in each registrant's latest annual report on Form 10-K. Certain prior-period amounts have been reclassified to conform with current-period presentation.

The condensed financial statements of ALABAMA and GEORGIA included herein have been reviewed by ALABAMA's and GEORGIA's independent public accountants as set forth in their reports included herein as Exhibit 1 to ALABAMA's and GEORGIA's condensed financial statements.

(B) SOUTHERN's operating affiliates are subject to the provisions of FASB Statement No. 71, Accounting for the Effects of Certain Types of Regulation. In the event that a portion of a company's operations is no longer subject to these provisions, the company would be required to write off related unrecoverable regulatory assets and liabilities, and determine if any other assets have been impaired. For additional information, see Note 1 to the financial statements of each registrant in Item 8 of the Form 10-K.

(C) The staff of the SEC has questioned certain of the current accounting practices of the electric utility industry--including SOUTHERN's--regarding the recognition, measurement and classification of decommissioning costs for nuclear generating facilities in the financial statements. In response to these questions, the FASB has decided to review the accounting for liabilities related to closure and removal of long-lived assets, including nuclear decommissioning. Reference is made to MANAGEMENT'S DISCUSSION AND ANALYSIS - "Future Earnings Potential" of SOUTHERN, ALABAMA and GEORGIA in Item 7 and Note 1 to the financial statements of SOUTHERN, ALABAMA and GEORGIA under "Depreciation and Nuclear Decommissioning" in Item 8 of the Form 10-K.

(D) SOUTHERN engages in price risk management activities for trading and non-trading purposes. Reference is made to Note 1 to the financial statements of SOUTHERN in Item 8 of the Form 10-K for a discussion of these activities. Activities for non-trading purposes consist of transactions that are employed to mitigate SOUTHERN's risk related to interest rate and foreign currency fluctuations. At September 30, 1997, the status of outstanding non-trading related derivative contracts was as follows:

Type	Year of Maturity or Termination	Notional Amount	Unrealized Gain (Loss)
		(in thousands)	
Interest rate swaps	2002-2012	$777,408	$(25,644)
	2001-2012	£500,000	$(50,890)
	2002-2007	DM691,000	$(2,189)
Cross currency swaps	2001-2007	£439,300	$9,777
Cross currency swaption	2003	DM570,000	$(5,522)

£ - Denotes British pounds sterling.
DM - Denotes Deutschemark.

Net unrealized gains and losses on outstanding positions with respect to trading activities were not material at September 30, 1997.

(E) On January 29, 1997, Southern Energy, a wholly-owned subsidiary of SOUTHERN, completed the acquisition of an 80% interest in CEPA for a total net investment of approximately $2.0 billion. On August 13, 1997, an additional 19.99% interest was acquired for $150 million plus an interest in a project under development. (Reference is made to the Current Report on Form 8-K of SOUTHERN dated October 9, 1996 for a more detailed description of the acquisition. In addition, reference is also made to "Management's Discussion and Analysis - Future Earnings Potential" of SOUTHERN herein for more information relating to the acquisition in August 1997 by Southern Energy of an additional 19.99% interest in CEPA.)

The acquisition of CEPA was accounted for as a purchase with the $1.6 billion excess of the acquisition cost over the preliminary estimate of the fair value of CEPA's net assets being assigned to goodwill. The allocation of the purchase price is preliminary and may be revised at a later date. Goodwill will be amortized on a straight-line basis over 40 years. Results of operations of CEPA are included in the condensed consolidated financial statements subsequent to January 29, 1997.

The following unaudited pro forma combined results of operations for the three months ended September 30, 1997 and 1996 and the nine months ended September 30, 1997 and 1996 have been prepared assuming the acquisition of CEPA had occurred at the beginning of each period. The pro forma results assume acquisition financing of $916 million of short-term borrowings, $792 million of long-term notes and $400 million of capital securities and SOUTHERN's assumed effective composite interest rate on these obligations for each period presented was 6.62%. Eventually, the existing borrowing may be replaced by some other combination of long-term debt and equity.

The pro forma results are provided for information only. The results are not necessarily indicative of the actual results that would have been realized had the acquisition occurred on the indicated dates, nor are they necessarily indicative of future results of operations of the combined companies.

As Reported and Pro Forma Information (Unaudited)
(Stated in Thousands of Dollars, except per share)

	For the Three Months Ended September 30,			
	1997		1996	
	As Reported	Pro Forma	As Reported	Pro Forma
Operating revenues	$4,071,204	$4,071,204	$2,932,556	$2,989,161
Consolidated Net Income	$374,710	$378,257	$467,440	$467,681
Earnings Per Share of Common Stock	$0.55	$0.55	$0.69	$0.69

	For the Nine Months Ended September 30,			
	1997		1996	
	As Reported	Pro Forma	As Reported	Pro Forma
Operating revenues	$9,372,813	$9,393,470	$7,925,418	$8,015,914
Consolidated Net Income	$776,518	$781,471	$987,575	$963,476
Earnings Per Share of Common Stock	$1.14	$1.14	$1.47	$1.43

(H) Certain of the registrants and other SOUTHERN subsidiaries have instituted work force reduction programs The expenses recognized under these programs and the unamortized balance of expenses deferred under regulatory orders were as follows: (in thousands)

	Three Months Ended September 30,		Nine Months Ended September 30,		Unamortized Balance at September 30, 1997
	1997	1996	1997	1996	
ALABAMA	$8,759	$5,951	$26,242	$18,360	$25,304
GEORGIA	1,641	7,947	4,512	34,821	-
GULF	950	238	2,192	2,472	-
MISSISSIPPI	1,088	1,847	1,192	3,625	16,696*
SAVANNAH	378	28	1,185	262	-
OTHER	74	129	121	343	-
SOUTHERN system	$12,890	$16,140	$35,444	$59,883	$42,000

* Of this amount, $15.7 million relates to the current workforce reduction plan The remainder, $996,000, relates to workforce reduction programs initiated in previous years.

(I) During the first nine months of 1997, statutory business trusts formed by ALABAMA, GEORGIA, GULF, MISSISSIPPI, Southern Investments UK plc ("SIUK") and Southern Company Capital Funding, Inc. ("Southern Capital"), of which the respective companies own all the common securities, issued mandatorily redeemable preferred or capital securities as follows. (in thousands)

	Date of Issue	Amount	Rate	Notes	Maturity Date of Notes
ALABAMA	1/16/97	$200,000	7.60%	$206,000	1 . 31/2036
GEORGIA	1/16/97	175,000	7 60	180,000	12/31/2036
GULF	1/31/97	40,000	7 625	41,000	12/31/2036
MISSISSIPPI	2/26/97	35,000	7.75	36,000	2/15/2037
SIUK	1/29/97	82,000	8.23	85,000	2/1/2027
Southern Capital	2/4/97	325,000	8 19	335,000	2/1/2037
Southern Capital	2/4/97	75,000	8 14	77,000	2/15/2027
GEORGIA	6/11/97	189,250	7.75	195,000	3/31/2037
Southern Capital	6/6/97	200,000	7 75	206,000	3/31/2037

Substantially all the assets of each trust are junior subordinated notes issued by the related company in the respective approximate principal amounts set forth above The notes of Southern Capital are guaranteed by SOUTHERN. ALABAMA, GEORGIA, GULF, MISSISSIPPI, SIUK and SOUTHERN each considers that the mechanisms and obligations relating to the preferred or capital securities issued for its benefit, taken together, constitute a full and unconditional guarantee by it of the respective trusts' payment obligations with respect to the preferred or capital securities Reference is also made to Note 9 to the financial statements of ALABAMA and GEORGIA in the Form 10-K

(F) SOUTHERN's principal business segment -- or its traditional core business -- is the five electric utility operating companies, which provide electric service in four southeastern states. The other reportable business segment is Southern Energy, which owns and operates power production and delivery facilities in the United States and various international markets. Southern Energy's energy trading activities also play an important role in its business. Financial data for business segments and geographic areas are as follows: (in thousands)

Business Segments	Operating Revenues	Operating Income	Operating Revenues	Operating Income	Total Assets
	For the Three Months Ended September 30, 1997		For the Nine Months Ended September 30, 1997		At September 30, 1997
Traditional core business	$2,782,063	$637,650	$6,741,141	$1,336,423	$25,100,862
Southern Energy	1,289,141	82,694	2,631,672	209,630	10,283,358
Consolidated	$4,071,204	$720,344	$9,372,813	$1,546,053	$35,384,220
	For the Three Months Ended September 30, 1996		For the Nine Months Ended September 30, 1996		At December 31, 1996
Traditional core business	$2,574,656	$627,831	$6,773,828	$1,427,607	$25,367,558
Southern Energy	357,900	37,595	1,151,590	95,779	4,924,244
Consolidated	$2,932,556	$665,426	$7,925,418	$1,523,386	$30,291,802

Geographic Areas	Operating Revenues	Operating Income	Operating Revenues	Operating Income	Total Assets
	For the Three Months Ended September 30, 1997		For the Nine Months Ended September 30, 1997		At September 30, 1997
Domestic	$3,686,108	$640,266	$8,117,898	$1,344,696	$25,996,233
International:					
Europe	254,265	35,301	911,649	106,482	3,593,606
Asia	56,892	30,328	170,597	76,834	4,289,286
Other	73,939	14,449	172,669	18,041	1,505,095
Total	$4,071,204	$720,344	$9,372,813	$1,546,053	$35,384,220
	For the Three Months Ended September 30, 1996		For the Nine Months Ended September 30, 1996		At December 31, 1996
Domestic	$2,606,715	$632,428	$6,852,782	$1,446,420	$25,868,253
International:					
Europe	276,703	30,965	918,813	68,472	2,965,578
Asia	-	-	-	-	-
Other	49,138	2,033	153,823	8,494	1,457,971
Total	$2,932,556	$665,426	$7,925,418	$1,523,386	$30,291,802

(G) Reference is made to Note 3 to each of the registrant's financial statements, except SAVANNAH's, in Item 8 of the Form 10-K for a discussion of the proceedings initiated by the FERC regarding the reasonableness of the return on common equity on certain of the Southern electric system's wholesale rate schedules and contracts.

(J) In June 1995, the Alabama PSC issued a rate order granting ALABAMA's request for gradual adjustments to move toward parity among customer classes. This order also calls for a moratorium on any periodic retail rate increases (but not decreases) until July 2001. In December 1995, the Alabama PSC issued an order authorizing ALABAMA to reduce balance sheet items--such as plant and deferred charges--at any time ALABAMA's actual base rate revenues exceed the budgeted revenues. Reference is made to Note 3 to the financial statements of SOUTHERN and ALABAMA in Item 8 of the Form 10-K for additional information. In April 1997, the Alabama PSC issued an additional order authorizing ALABAMA to reduce balance sheet asset items. This order authorizes the reduction of such items up to an amount equal to 5 times the total estimated annual revenue reduction resulting from future rate reductions.

(K) In 1996, legal actions against ALABAMA were filed in several counties in Alabama charging ALABAMA with fraud and non-compliance with regulatory statutes relating to the offer, sale and financing of "extended service contracts" in connection with the sale of electric appliances. See Note 3 to the financial statements of SOUTHERN and ALABAMA in Item 8 of the Form 10-K for additional information.

(L) In February 1996, the Georgia PSC approved a three-year accounting order, effective January 1, 1996. In November 1996, on appeal by a consumer group, the Superior Court of Fulton County, Georgia reversed the accounting order and remanded the matter to the Georgia PSC. In October 1997, the Georgia Court of Appeals upheld the accounting order and reversed the Superior Court's decision. GEORGIA continued to recognize expenses in accordance with the accounting order while it was under appeal. Under the order, earnings in excess of a 12.5% retail return on common equity will be used to accelerate the amortization of regulatory assets or depreciation of electric plant. Accordingly, for earnings in excess of the 12.5% return, GEORGIA recorded charges of $76.7 million and $104.9 million, respectively, for the three months and nine months ended September 30, 1997 (presented in the accompanying financial statements as depreciation expense of electric plant and as an addition to the reserve for depreciation). For additional information, reference is made to Note 3 to the financial statements of SOUTHERN and GEORGIA in Item 8 of the Form 10-K.

(M) In 1987 and 1989, the Georgia PSC ordered that the allowed costs of Plant Vogtle, a two-unit nuclear facility of which GEORGIA owns 45.7%, be phased into rates. Pursuant to the orders, GEORGIA recorded a deferred return under phase-in plans until October 1991 when the allowed investment was fully reflected in rates. In 1991, the Georgia PSC levelized the remaining Plant Vogtle declining capacity buyback expenses over a six-year period. In addition, GEORGIA deferred certain Plant Vogtle operating expenses and financing costs under accounting orders issued by the Georgia PSC. These Georgia PSC orders provide for the recovery of deferred costs within 10 years. The unamortized balance of these deferred costs at September 30, 1997, was $58.2 million.

(N) Reference is made to Note 3 to the financial statements of SOUTHERN and GEORGIA in Item 8 of the Form 10-K for information concerning the recovery by GEORGIA of its costs associated with the Rocky Mountain pumped storage hydroelectric plant. At September 30, 1997, GEORGIA's net investment in the plant was approximately $163 million. In August 1997, the staff of the Georgia PSC issued a report regarding its prudence review of the plant. The report recommends that of GEORGIA's initial $202 million investment in the plant, approximately $79 million be allowed in rate base, with a disallowance of approximately $123 million. The report also concludes that GEORGIA should be allowed to retain the benefits of the plant's lower fuel costs (as compared to alternative sources of generation). The report states that as an alternative, it may be reasonable to provide a larger allowance in rate base and allow customers to receive the benefit of the fuel savings. GEORGIA estimates the present value of the fuel benefits over the

life of the plant to be in the range of approximately $50 million to $70 million. The Georgia PSC intends to conclude hearings on this matter in December 1997, at which time the Georgia PSC will take the matter under advisement for future action. While GEORGIA disagrees with the Georgia PSC staff's conclusions, the outcome of this matter cannot now be determined.

(O) Reference is made to Note 3 to the financial statements of GEORGIA in Item 8 of the Form 10-K for information relating to an agreement reached January 10, 1997, between GEORGIA and MEAG relating to a new power supply relationship. A power supply contract entered into between GEORGIA and MEAG has been approved by FERC and was implemented in August 1997.

(P) Reference is made to Note 3 to the financial statements of SOUTHERN and GEORGIA in Item 8 of the Form 10-K for information regarding GEORGIA's designation as a potentially responsible party under the Comprehensive Environmental Response, Compensation and Liability Act and other environmental contingencies.

(Q) On November 7, 1997, SAVANNAH filed with the Georgia PSC to request an accounting order to make certain accounting adjustments including implementation of new depreciation rates, to increase the provision in the storm damage reserve, and to provide a process to address SAVANNAH's level of earnings in the future. On November 10, 1997, SAVANNAH filed for a rate reduction, of approximately $1.0 million, targeted to the small business class.

(R) In July 1997, the new Labor government in the United Kingdom introduced its first budget which became effective July 31, 1997. This budget included a one-time windfall profit tax on privatized utilities. As reflected in the "Condensed Consolidated Statements of Income", the effect of this tax, approximately £90 million ($148 million), was recorded in the quarter ended September 30, 1997. The tax is payable in two equal installments on or before December 1, 1997 and December 1, 1998.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings.

(1) Reference is made to the Notes to the Condensed Financial Statements herein for information regarding certain legal and administrative proceedings in which SOUTHERN and its reporting subsidiaries are involved.

(2) Reference is made to Item 3 - LEGAL PROCEEDINGS in the Form 10-K for information regarding a tax deficiency notice issued by the Internal Revenue Service claiming that GEORGIA and SOUTHERN owed additional taxes for the years 1984 through 1987 and regarding GEORGIA's and SOUTHERN's claims for tax refunds for such years

In August 1997, SOUTHERN and the Internal Revenue Service entered into a settlement agreement which is subject to the review and approval of the Joint Congressional Committee on Taxation. If approved by the Joint Committee, the agreement would resolve all issues in the case for the years before the Tax Court, resulting in a refund to SOUTHERN in an amount which is not expected to have a material effect on earnings. There can be no assurance that such Joint Committee approval will be received

(3) ALABAMA, GEORGIA and MISSISSIPPI, et al. v TVA
(U.S. District Court for the Northern District of Alabama)

On July 24, 1997, ALABAMA, GEORGIA, MISSISSIPPI and other plaintiffs entered into an agreement with TVA that will settle the action filed in April 1997, which sought to enjoin TVA from violating a 1959 act that prohibits TVA from selling power outside the area that was being served by it in 1957. In the settlement agreement, TVA agrees that it will enter into exchange power arrangements only with authorized entities to which it may lawfully sell such power under the 1959 act, and that it will not knowingly engage in such transactions where the authorized entity is reselling that power to unauthorized entities

Item 5. Other Information.

On November 3, 1997, SOUTHERN commenced offers to purchase for cash (the "Offers") certain series of the preferred stocks of ALABAMA, GEORGIA, GULF and MISSISSIPPI. The Offers are being made for one series ($36.4 million aggregate par value) in the case of ALABAMA, nine series ($95.8 million aggregate stated value) in the case of GEORGIA, five series ($50.1 million aggregate par value or stated capital) in the case of GULF and three series ($11.0 million aggregate par value) in the case of MISSISSIPPI.

SOUTHERN will sell any shares purchased by it pursuant to the Offers to the respective subsidiary companies at the purchase price paid by SOUTHERN plus expenses, and the respective subsidiary companies will thereupon retire and cancel such shares

Concurrently with the Offers, the subsidiary companies are soliciting proxies on behalf of their respective boards of directors in connection with special meetings of stockholders scheduled to be held on December 10, 1997. The purpose of the special meetings is to consider a proposed

amendment to each such subsidiary company's charter to eliminate certain provisions restricting its ability to issue unsecured indebtedness, to sell assets, merge or consolidate without preferred stockholder approval under certain circumstances and to pay dividends on its common stock.

For further information with regard to this matter, including the terms and conditions of the Offers, reference is made to the four Issuer Tender Offer Statements on Schedule 13E-4 filed by SOUTHERN with the SEC on November 3, 1997.

Item 6. Exhibits and Reports on Form 8-K.

(a) Exhibits.

Exhibit 24 - Powers of Attorney and resolutions. (Designated in the Form 10-K for the year ended December 31, 1996, File Nos. 1-3526, 1-3164, 1-6468, 0-2429, 0-6849 and 1-5072 as Exhibits 24(a), 24(b), 24(c), 24(d), 24(e) and 24(f), respectively, and incorporated herein by reference.)

Exhibits 27 - Financial Data Schedules
- (a) SOUTHERN
- (b) ALABAMA
- (c) GEORGIA
- (d) GULF
- (e) MISSISSIPPI
- (f) SAVANNAH

(b) Reports on Form 8-K.

GULF filed a Current Report on Form 8-K dated July 28, 1997

Items reported:	Item 5
	Item 7
Financial statements filed:	None

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized. The signature of the undersigned company shall be deemed to relate only to matters having reference to such company and any subsidiaries thereof.

THE SOUTHERN COMPANY

By *A. W. Dahlberg*
Chairman, President and Chief Executive Officer
(Principal Executive Officer)

By *W. L. Westbrook*
Financial Vice President, Chief Financial Officer and Treasurer
(Principal Financial and Accounting Officer)

By */s/ Wayne Boston*
(Wayne Boston, Attorney-in-fact)

Date: November 12, 1997

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized. The signature of the undersigned company shall be deemed to relate only to matters having reference to such company and any subsidiaries thereof.

ALABAMA POWER COMPANY

By *Elmer B. Harris*
President and Chief Executive Officer
(Principal Executive Officer)

By *William B. Hutchins, III*
Executive Vice President and Chief Financial Officer
(Principal Financial Officer)

By */s/ Wayne Boston*
(Wayne Boston, Attorney-in-fact)

Date: November 12, 1997

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized. The signature of the undersigned company shall be deemed to relate only to matters having reference to such company and any subsidiaries thereof.

GEORGIA POWER COMPANY

By *H. Allen Franklin*
President and Chief Executive Officer
(Principal Executive Officer)

By *Warren Y. Jobe*
Executive Vice President, Treasurer and Chief Financial Officer
(Principal Financial Officer)

By */s/ Wayne Boston*
(Wayne Boston, Attorney-in-fact)

Date: November 12, 1997

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized. The signature of the undersigned company shall be deemed to relate only to matters having reference to such company and any subsidiaries thereof.

GULF POWER COMPANY

By *Travis J. Bowden*
President and Chief Executive Officer
(Principal Executive Officer)

By *A. E. Scarbrough*
Vice President - Finance
(Principal Financial and Accounting Officer)

By */s/ Wayne Boston*
(Wayne Boston, Attorney-in-fact)

Date: November 12, 1997

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized. The signature of the undersigned company shall be deemed to relate only to matters having reference to such company and any subsidiaries thereof.

MISSISSIPPI POWER COMPANY

By *Dwight H. Evans*
President and Chief Executive Officer
(Principal Executive Officer)

By *Michael W. Southern*
Vice President, Secretary, Treasurer and Chief Financial Officer
(Principal Financial and Accounting Officer)

By */s/ Wayne Boston*
(Wayne Boston, Attorney-in-fact)

Date November 12, 1997

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized. The signature of the undersigned company shall be deemed to relate only to matters having reference to such company and any subsidiaries thereof.

SAVANNAH ELECTRIC AND POWER COMPANY

By */s/ G. Edison Holland, Jr.*
President and Chief Executive Officer
(Principal Executive Officer)

By *Kirby R. Willis*
Vice President, Treasurer and Chief Financial Officer
(Principal Financial and Accounting Officer)

By */s/ Wayne Boston*
(Wayne Boston, Attorney-in-fact)

Date November 12, 1997

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